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Part 2

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PREFACE

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. The volumes in the series include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions of the United States together with appropriate materials concerning the facts which contributed to the formulation of policies. Documents in the files of the Department of State are supplemented by papers from other Government agencies involved in the formulation of foreign policy.

The basic documentary diplomatic record printed in the volumes of the series *Foreign Relations of the United States* is edited by the Office of the Historian, Bureau of Public Affairs, Department of State. The editing is guided by the principles of historical objectivity and in accordance with the following official guidance first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925.

There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.

b. To condense the record and avoid repetition of needless details.

c. To preserve the confidence reposed in the Department by individuals and by foreign governments.

d. To avoid giving needless offense to other nationalities or individuals.

e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternative presented to the Department before the decision was made.

Documents selected for publication in the *Foreign Relations* volumes are referred to the Department of State Classification/Declassification Center for declassification clearance. The Center reviews

the documents, makes declassification decisions, and obtains the clearance of geographic and functional bureaus of the Department of State, as well as of other appropriate agencies of the government. The Center, in coordination with the geographic bureaus of the Department of State, conducts communications with foreign governments regarding documents or information of those governments proposed for inclusion in *Foreign Relations* volumes.

William Z. Slany supervised the preparation of this volume. He was assisted in the initial planning and preparation by John A. Bernbaum and in the later stages by Charles S. Sampson. David M. Baehler prepared the compilations on United States policy toward Scandinavia, Iceland, Portugal, and Spain; John A. Bernbaum those on the economic and political integration of Western Europe, the agricultural integration of Western Europe, the chiefs of mission meetings, and France. Ronald D. Landa compiled the sections on Italy and the Vatican; Lisle A. Rose that on the Mutual Security Program for Europe. Charles S. Sampson prepared the compilation on the United Kingdom and David H. Stauffer those on Ireland and Canada.

Vicki E. Futscher of the Documentary Editing Section performed technical editing under the supervision of Rita M. Baker in the Publishing Services Division (Paul M. Washington, Chief). The Twin Oaks Indexing Collective prepared the index.

WILLIAM Z. SLANY
The Historian
Bureau of Public Affairs

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LIST OF ABBREVIATIONS

EDITOR'S NOTE: This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and, those abbreviations and contractions which, although uncommon, are understandable from the content.

AC, Azione Cattòlica (Catholic Action)
Actel, series indicator for telegrams from Secretary of State Acheson while away from Washington
AC and W, Air Communications and Weather (Group), United States Navy
AD/E, Office of the Assistant Director for Europe, Mutual Security Agency
ADN, Allianza Democratica Nazionale (National Democratic Alliance)
AD/S, Office of the Assistant Director for Supply, Mutual Security Agency
AEW, atomic energy warfare
AFL, American Federation of Labor
AFP, Agence France Presse
AGIP, Azienda Generale Italiana di Petroli (Italian General Petroleum Agency)
AHA, *Ad Hoc* Assembly
AIOC, Anglo-Iranian Oil Company
AMG, Allied Military Government
AMS, Auxiliary Minesweeper
AR, Annual Review
ARAMCO, Arabian-American Oil Company
ARS, Action Républicaine et Sociale, French political party
ASIC, Associated States of Indochina
ASNE, American Society of Newspaper Editors
BC, British Columbia
BNA, Office of British Commonwealth and Northern European Affairs, Department of State
B/P, balance of payments
BUSHIPS, Bureau of Ships, Department of the Navy
CA, circular airgram
CA, Consultative Assembly
CARE, Committee for American Relief for Europe
CCC, Commodity Credit Corporation, Department of Agriculture
CCS, Combined Chiefs of Staff
CD, Christian Democrat; Christian Democratic Party; Council Deputies
CDU, Christlich-Demokratische Union (Christian Democratic Union)
CE, Council of Europe
CERP, Current Economic Reporting Program
CFM, Council of Foreign Ministers
CFTC, Confédération Française des Travailleurs Chrétiens (French Confederation of Christian Workers)
CGIL, Confederazione Generale Italiana del Lavoro (General Confederation of Italian Labor)
CGT, Confédération Générale du Travail (General Confederation of Labor)
CIA, Central Intelligence Agency
CINCEUR, Commander in Chief, Europe
CINCNORTH, Commander in Chief, Northern Area
CIO, Congress of Industrial Organizations
circr, circular
CISL, Confederazione Italiana dei Sindicati Lavoratori (Italian Confederation of Workers' Unions)
CISNAL, Confederazione Italiana dei Sindicati Nazionale Lavoratori (Italian Confederation of National Unions)
CM, Committee of Ministers
CNO, Chief of Naval Operations
COCOM, Coordinating Committee
Codel, telegram series indicator for Congressional delegation travel
C of E, Council of Europe
Coled, series indicator for telegrams from the Office of the United States Observer to the Interim Committee of the European Defense Community and the United States Representative to the European Coal and Steel Community

Cominform, Communist Information Bureau
Confindustria, Confederation of Italian Industry
Contel, Consulate telegram
Cotel, Country Team telegram
CP, Communist Party
CPF, Communist Party in France
CPR, Chinese People's Republic
CSC, Coal and Steel Community
CUSSAT, Canada-United States Scientific Advisory Team
CY, calendar year
DA, Department of Army
DADCMI, Department of the Army policy for disclosure of classified military information
DC, Democrazia Cristiana (Christian Democratic Party)
Def, Department of Defense
DefMin, Defense Minister; Defense Ministry
Defto, series indicator for telegrams to the Department of Defense
Depcirtel, Department of State circular telegram
Deptel, Department of State telegram
Depto, series indicator for telegrams from the Office of the United States Deputy Representative on the North Atlantic Council, at London
DEW, distant early warning (line)
DM, Deutsche Mark
DMPA, Defense Materials Procurement Agency
DMS, Director for Mutual Security
DOD, Department of Defense
DOT, dependent overseas territories
DPA, Defense Production Administration
DPB, Defense Production Board
DPC, Defense Production Committee
DRS, Division of Research for the USSR and Eastern Europe, Department of State
DRW, Division of Research for Western Europe, Department of State
Dulte, series indicator for telegrams from Secretary of State Dulles while away from Washington
E, Assistant Secretary of State for Economic Affairs, Bureau of Economic Affairs
EAD, Eastern Affairs Division, Berlin Element, HICOG
ECA, Economic Cooperation Administration
ECE, Economic Commission for Europe
EDC, European Defence Community
Edcol, series indicator for telegrams to the Office of the United States Observer to the Interim Committee of the European Defense Community and to the United States Representative to the European Coal and Steel Community
EDF, European Defense Force
Embdes, Embassy despatch
Emboff, Embassy officer
Embtel, Embassy telegram
ENI, Ente Nazionale degli Idrocarburi (National Hydrocarbon Trust)
EPC, European Political Community
EPU, European Payments Union
ERS, European Regional Staff, Office of the Assistant Director for Europe, Mutual Security Agency
EUCOM, European Command, United States Army
EUR, Bureau of European Affairs, Department of State
EXIM, Export-Import (Bank)
FAO, French agricultural organizations
FBI, Federal Bureau of Investigation
FCN, Friendship, Commerce, and Navigation (Treaty)
FE, Far East
FEB, Financial Economic Board
FedRep, Federal Republic of Germany
Fiat, Fabrico Italiana degli Automobili Torino, Italian automobile company
FILM, Federazione Italiana Lavoratori del Mare (Federation of Italian Seamen)
FILP, Federazione Italiana Lavoratori dei Porti (Federation of Italian Port Workers)
FINSIDER, Societa Finanziaria Siderurgica (Italian Iron and Steel Finance Corporation)
FIOM, Federazione Italiana Operai Metallurgici (Federation of Italian Steelworkers)
FNSEA, Fédération Nationale des Syndicats d'Exploitants Agricoles (National Federation of Farmers' Unions)
FO, Force Ouvrière (Workers Force)
FOA, Foreign Operations Administration
FOB, freight on board
FonAff, Foreign Affairs
FonMin, Foreign Minister, Foreign Ministry
FonOff, Foreign Office
FPC, Federal Power Commission
FPT, French political talks
FRC, Federal Records Center

FS, Foreign Service
FTT, Free Territory of Trieste
FY, fiscal year
FYI, for your information
G–2, United States Army Intelligence
GA, General Assembly, United Nations
GATT, General Agreement on Tariffs and Trade
GER, Bureau of German Affairs or Office of German Affairs, Department of State
Globecom, the United States Air Force system for long-range, point-to-point and air-to-ground communications
GMT, Greenwich Mean Time
GNP, gross national product
GOI, Government of India
GSA, General Services Administration
HA, High Authority
HICOG, United States High Commissioner for Germany
HICOM, High Commission(er)
HK, Hong Kong
HMG, Her (His) Majesty's Government
HQUSAF, Headquarters, United States Air Force
IAC, Intelligence Advisory Committee
IAR, International Authority for the Ruhr
IBRD, International Bank for Reconstruction and Development (World Bank)
IC, Indochina
ICFTU, International Confederation of Free Trade Unions
ID, Iniziativa Democratica (Democratic Initiative, a leftist corrente (current) within the Italian Christian Democratic Party)
IDF, Icelandic Defense Force
IFAP, International Federation of Agricultural Producers
IIA, International Information Administration
IJC, International Joint Commission
ILC, International Law Commission, United Nations
ILO, International Labor Organization
IMC, International Materials Conference
IMI, Istituto Mobiliare (Institute for Italian Mobilization)
IND, Industry Division, Office of the Assistant Director for Supply, Mutual Security Agency
INS, International News Service
IRI, Istituto per la Ricostruzione Industriale (Institute for Industrial Reconstruction)
IS, International Staff, North Atlantic Treaty Organization
ISA, Office of the Assistant Secretary of Defense for International Security Affairs
ITO, International Trade Organization
JAMAG, Joint American Military Advisory Group
JCS, Joint Chiefs of Staff
JMST, Joint Military Survey Team
JUSMG, Joint United States Military Group
LAM, London Ambassadors Meeting
L/E, Office of the Assistant Legal Advisor for Economic Affairs, Department of State
Legtel, Legation telegram
LNC, Laga Nazionale delle Cooperative e delle Mutue (National League of Cooperatives and Loans)
LOC, line of communications
Lofar, low frequency analysis and recording
MAAC, Mutual Assistance Advisory Committee
MAAG, Military Assistance Advisory Group
MAAG/IT, Military Assistance Advisory Group/Italy
MAAG/UK, Military Assistance Advisory Group/United Kingdom
MAP, military assistance program
MATS, Military Air Transport Service
MC, Military Committee, North Atlantic Treaty Organization
MDA(P), Mutual Defense Assistance (Program)
ME, Middle East
MEATO, Middle East Area Theatre of Operations
MEC, Middle East Command
MEDO, Middle East Defense Organization
METO, Middle East Treaty Organization
MFE, Movimento Federalista Europeo (European Federalist Movement)
MFT, Mendès-France talks
MilAtt, Military Attaché
MINAG, Minister of Agriculture, Ministry of Agriculture
MINDEF, Minister of Defense, Ministry of Defense
MOD, Ministry of Defense
MP, military police
MRC, Military Representatives Committee, North Atlantic Treaty Organization

MRP, Mouvement Rèpublicain Populaire, French political party
MS, Mutual Security
MSA, Mutual Security Agency, Mutual Security Act
MSA/E, Mutual Security Agency/Europe
MSAP, Mutual Security Agency Program
MSA/W, Mutual Security Agency/Washington
MSG, Military Study Group
MSI, Movimento Sociale Italiano (Italian Social Movement)
MSP, Mutual Security Program
MTDP, Medium Term Defense Plan
Musto, series indicator for telegrams from the Mutual Security Agency to its overseas missions
Mytel, my telegram
NAC, National Advisory Council, North Atlantic Council
NAT(O), North Atlantic Treaty (Organization)
NATO AR, North Atlantic Treaty Organization Annual Review
NAOR, North Atlantic Ocean Region
NCO, noncommissioned officer
NEA, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
niact, night action, communication indicator requiring attention by the recipient at any hour of the day or night
NIE, National Intelligence Estimate
noforn, no foreign dissemination
Norep, series indicator for telegrams from Oslo and Paris dealing with negotiations between the United States and Norway for Strategic Air Command bases
NSC, National Security Council
NZ, New Zealand
OAS, Organization of American States
OCB, Operations Coordinating Board
ODM, Office of Defense Mobilization
OEEC, Organization for European Economic Cooperation
OSAF, Office of the Secretary of the Air Force
OSD, Office of the Secretary of Defense
OSP, offshore procurement
OSR, Office of the Special Representative in Europe
P, Assistant Secretary of State for Public Affairs
PAF C/S, Portuguese Air Force Chief of Staff
PAO, Public Affairs Officer
PC, participating country
PCF, Partie Communiste Français (French Communist Party)
PCI, Partito Communista Italiano (Italian Communist Party)
PJBD, Permanent Joint Board on Defense—United States and Canada
PLI, Partito Liberale Italiano (Italian Liberal Party)
PM, Prime Minister
PMP, Partito Monarchico Populare (Popular Monarchist Party)
PNM, Partito Nazionale Monarchico (National Monarchist Party)
POC, Peace Observation Commission
POL, petroleum, oil and lubricants
Polto, series indicator for telegrams from the U.S. Special Representative in Europe, June 1953; thereafter, from the Office of the U.S. Permanent Representative on the North Atlantic Council
PRI, Partito Republicano Italiano (Italian Republican Party)
PriMin, Prime Minister
PSA, Office of Philippine and Southeast Asian Affairs, Department of State
PSB, Psychological Strategy Board
PSDI, Partito Socialista Democratico Italiano (Italian Democractic Socialist Party)
PSI, Partito Socialista Italiana (Italian Socialist Party)
PSLI, Partito Socialista dei Lavoratori Italiana (Italian Workers' Socialist Party
PSU, Partito Socialista Unitario (United Socialist Party)
PTAD, Productivity and Technical Assistance Division, Office of the Assistant Director for Supply, Mutual Security Agency
QR, quota (quantitative) restriction
RA, Office of European Regional Affairs, Department of State
RAF, Royal Air Force
RAI, Radio Audizioni Italiani (Italian Radio Broadcasting System)
RCAF, Royal Canadian Air Force
Reftel, reference telegram
RENFE, Red Nacional de Ferrocarriles del Estado, Spanish Railroad Administration
Repno, series indicator for telegrams to Oslo and Paris dealing with negotiations between the United States and Norway for Strategic Air Command bases

Repto, series indicator for telegrams from the U.S. Special Representative in Europe to the Economic Cooperation Administration
resdel, resident delegation
RIF, reduction in force
ROK, Republic of Korea
RPF, Rassemblement du Peuple Français, French political party
RSA, rest of the sterling area
S/AE, Special Assistant to the Secretary of State for Atomic Energy Matters
S/ISA, Special Assistant to the Secretary of State for International Security Affairs
S/MSA, Special Assistant to the Secretary of State for Mutual Security Affairs
S/P, Policy Planning Staff, Department of State
S/S, Executive Secretariat, Department of State
SA, sterling area
SAC, Strategic Air Command
SACEUR, Supreme Allied Commander, Europe
SACLANT, Supreme Allied Commander, Atlantic
SC, Security Council, United Nations
SCAP, Supreme Commander, Allied Powers
SCEM, Signing Ceremonies in Europe, May (1952)
SCS, Screening and Costing Staff, North Atlantic Treaty Organization
SE, Special Estimate
SEA, Southeast Asia
SEATO, Southeast Asia Treaty Organization
SecGen, Secretary-General
Secto, series indicator for telegrams to the Department of State from the Secretary of State (or his delegation) at international conferences
SG, Standing Group
SHAEF, Supreme Headquarters, Allied Expeditionary Force
SHAPE, Supreme Headquarters, Allied Powers, Europe
SNCF, Société Nationale des Chemins de Fer Français (National Association of French Railways)
SNECMA, Société Nationale d'Etude et Construction de Moteurs d'Aviation (National Company for the Study and Construction of Aviation Engines)
SOF, status of forces
SPD, Sozialdemokratische Partei Deutschlands (German Social Democratic Party)
SRE, Special Representative in Europe
SUSRep, Senior United States Representative
TA, technical assistance; trade agreement
TCA, Technical Cooperation Administration
TCC, Temporary Council Committee
TCT, Truman–Churchill talks
Tedul, series indicator for telegrams to Secretary of State Dulles while away from Washington
Telac, series indicator for telegrams to Secretary of State Acheson while away from Washington
Todep, series indicator for telegrams to the Office of the United States Deputy Representative on the North Atlantic Council, at London
Toeca, series indicator for telegrams to the Economic Cooperation Administration
Tomus, series indicator for telegrams to the Mutual Security Agency
Topol, series indicator for telegrams to the U.S. Deputy Representative to the North Atlantic Council
Torep, series indicator for telegrams to the U.S. Special Representative in Europe, at Paris, from the Economic Cooperation Administration
Tosec, series indicator for telegrams from the Department of State to the Secretary of State (or his delegation) at international conferences
Tousfo, series indicator for telegrams and airgrams to the Foreign Operations Administration
UDSR, Union Démocratique et Socialiste de la Résistance, French political party
UIL, Unione Italiana del Lavoro (Italian Union of Labor)
UKPT, United Kingdom political talks
UN, United Nations
UNISCAN, United Kingdom–Ireland–Scandinavia
UNO, United Nations Organization
UP, Unità Populare, Italian political party
URAS, Union des Republicains et d'Action Sociale, French political party
urtel, your telegram
USA, United States Army
USAF(E), United States Air Force (Europe)

USAREUR, United States Army, Europe
USCINCEUR, United States Commander in Chief, Europe
USDA, United States Department of Agriculture
USDel, United States Delegation
Usfoto, series indicator for telegrams and airgrams from the Foreign Operations Administration
USI, Unione Socialista Italiana (Union of Italian Socialists)
USIA, United States Information Agency
USIE, United States Information and Educational Exchange Program
USIS, United States Information Service
USN, United States Navy
Usneg, series indicator for telegrams and despatches dealing with the United States-Spanish base negotiations
USOM, United States Operations Mission
USRO, United States Mission to the North Atlantic Treaty Organization and European Regional Organizations
VOA, Voice of America
VOR, omni-range navigation
WE, Western Europe; Office of Western European Affairs, Department of State
Weeka, series indicator for weekly, interagency summary analysis telegrams from United States diplomatic missions
WET, Washington economic talks
WEU, Western European Union

LIST OF PERSONS

EDITOR'S NOTE: The identification of the persons in this list is limited to circumstances and positions under reference in this volume. Historical personages alluded to in the volume and certain minor officials are not identified. All titles and positions are American unless there is an indication to the contrary.

ACHESON, Dean, Secretary of State, January 19, 1949–January 20, 1953.

ACHILLES, Theodore C., U.S. Vice Deputy Representative on the North Atlantic Council from October 3, 1950; Deputy Chief of Mission of the Embassy in France from April 1, 1952; Chief of Mission from September 18, 1952; Minister of the Embassy in France from October 25, 1954.

ADENAUER, Konrad, Chancellor of the Federal Republic of Germany from September 1949; in addition, Minister of Foreign Affairs of the Federal Republic from March 1951.

AIKEN, Frank, Irish Minister of Foreign Affairs until June 1954.

ALDRICH, Winthrop W., Ambassador in the United Kingdom, February 20, 1953–February 1, 1957.

ALEXANDER OF TUNIS, Harold, R.L.G., Field Marshal and Earl, British Minister of Defense, March 1, 1952–October 18, 1954.

ALLEN, William Denis, Head of the Central Department in the British Foreign Office; from May 1953 Assistant Under Secretary of State for Foreign Affairs.

ALLISON, John N., Assistant Secretary of State for Far Eastern Affairs, February 1, 1952–April 1953; after May 28, 1953, Ambassador in Japan.

ALPHAND, Hervé, French Deputy Representative on the North Atlantic Council until September 1954.

ANDERSON, Hans G., Legal Adviser in the Icelandic Foreign Office; Icelandic Permanent Representative on the North Atlantic Council, 1954.

ANDERSON, Daniel V., First Secretary of the Embassy in Spain, December 26, 1950–June 5, 1952.

ANDERSON, Frederick L., Deputy Special Representative in Europe at Paris after March 13, 1952.

ANDERSON, H. Eugenie, Ambassador in Denmark, December 22, 1949–January 19, 1953.

ANDERSON, Robert B., Deputy Secretary of Defense, May 3, 1954–August 4, 1955.

ANDERSON, Samuel W., Assistant Secretary of Commerce for International Affairs.

ANDREWS, George D., Consul at Strasbourg from March 15, 1950.

ANTIER, Paul, Deputy in the French National Assembly from 1946; Minister of Agriculture, August 1951–January 1952.

ARBURUA DE LA MIYAR, Manuel, Spanish Minister of Commerce after July 1951; President of the Interministerial Coordinating Commission for the distribution of funds available from the economic aid agreements concluded in September 1953.

AREILZA, Jose Maria de, Spanish Ambassador in the United States from November 6, 1954.

AREY, Hawthorne, Assistant Director of the Export-Import Bank.

ARGUELLES Y ARMADA, Jaime, Spanish Under Secretary of Foreign Economy after July 1952; Vice President of the Interministerial Coordinating Commission for

the distribution of funds available from the economic aid agreement concluded in September 1953.

ARMSTRONG, W. Park, Jr., Special Assistant for Intelligence, Department of State from June 1950.

ARNESON, R. Gordon, Special Assistant to the Secretary of State for Atomic Energy Affairs until April 11, 1954; thereafter Deputy Science Adviser.

ARTAJO, Alberto Martín. *See* Martín Artajo, Alberto.

ARTH, Maurice P., Program Officer for European Affairs in the Office of the Director for Mutual Security until December 1953; thereafter Chief of the Military Section, Office of the Deputy Director for Program and Planning, Foreign Operations Administration.

ASHER, Robert E., Special Assistant to the Assistant Secretary of State for Economic Affairs from October 15, 1951.

AURIOL, Vincent, President of France, January 16, 1947–January 15, 1954.

BARBOUR, Walworth, Director of the Office of Eastern European Affairs, Department of State, July 25, 1951–May 26, 1954; thereafter Deputy Assistant Secretary of State for European Affairs.

BARNETT, Robert W., Officer in Charge of Economic Affairs, Office of Western European Affairs, November 9, 1952–November 20, 1954; thereafter Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State.

BATT, William L., Chief of the Economic Cooperation Administration Mission in the United Kingdom from October 5, 1950; Chief of the Mutual Security Agency Mission in the United Kingdom, January–September 1952.

BATTLE, Lucius D., Special Assistant to the Secretary of State from June 26, 1951; Foreign Affairs Officer in the Office of the Special Assistant to the Secretary of State for Mutual Security Affairs after October 13, 1952; Attaché in Denmark after January 30, 1953; First Secretary in Denmark after July 26, 1954.

BAUM, Warren, Economist, European Regional Staff, Mutual Security Agency until January 1953.

BAY, Charles U., Ambassador in Norway until July 31, 1953.

BEALE, Wilson T.M., Jr., Officer in Charge of Economic Affairs, Office of British Commonwealth and Northern European Affairs, April 15, 1951–July 20, 1952; thereafter Officer in Charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs.

BEAUMONT, Guerin Jean Michel, Secretary of State for Foreign Affairs in the French Ministry of Foreign Affairs after June 1954.

BECH, Joseph, Luxembourg Minister of Foreign Affairs, Foreign Commerce and National Defense from 1951; Prime Minister after December 29, 1953.

BEIGEL, Edgar J., Office of Western European Affairs, Department of State from December 10, 1951.

BELL, John H., Colonel, U.S. Air Force; Executive Officer in the Office of the Under Secretary of the Air Force, 1952.

BELL, John O., Counselor of Embassy in Denmark, December 10, 1951–January 21, 1955.

BENEDIKTSSON, Bjarni, Icelandic Minister of Foreign Affairs until September 13, 1953.

BENSON, Ezra Taft, Secretary of Agriculture after January 21, 1953.

BERGER, Samuel D., Special Assistant to the Director for Mutual Security until February 1953; Counselor of Embassy in Japan until May 1954; thereafter Counselor of Embassy in New Zealand.

BERRY, Burton Y., Acting Assistant Secretary of State for Near Eastern Affairs until June 1952.

BEYEN, Johan W., Netherlands Minister of Foreign Affairs, September 1, 1952–October 11, 1955 (position held jointly with Joseph Luns).

BIDAULT, Georges, French Minister of National Defense, August 1951–March 1952; Deputy Prime Minister and Minister of National Defense, 1952; French Minister of Foreign Affairs, January 8, 1953–June 19, 1954.

BIDDLE, Gen. A.J. Drexel, Jr., Executive Officer in Supreme Headquarters, Allied Powers, Europe, 1951–1953; thereafter Special Assistant to the Chief of Staff, U.S. Army.

BISSEL, Richard M., Acting Administrator of the Economic Cooperation Administration after September 1951; Deputy Director of the Mutual Security Agency, January 14–18, 1952; thereafter Consultant to the Director for Mutual Security.

BLANK, Theodor, unofficial personal adviser to German Chancellor Konrad Adenauer; *Rapporteur* for the Federal Republic of Germany for talks with the Allied High Commission regarding German financial contributions to Western defense after December 1951.

BLANKENHORN, Herbert A.H., Director of the Political Affairs Section of the German Federal Republic's Ministry of Foreign Affairs after March 13, 1951.

BLISS, Don Carroll, Counselor of Embassy in Canada with rank of Minister after January 5, 1950.

BLUM, Robert, Assistant Deputy for Economic Affairs, Office of the Special Representative in Europe at Paris after November 3, 1951.

BOHLEN, Charles E. (Chip), Counselor of the Department of State, March 13, 1951–March 26, 1953; member of the Senior Staff of the National Security Council after July 1951; Ambassador in the Soviet Union after March 27, 1953.

BONBRIGHT, James C.H., Deputy Assistant Secretary of State for European Affairs from June 27, 1950; Special Assistant to the Permanent Representative in Europe at Paris, April 1954–January 1955.

BONNET, Henri, French Ambassador in the United States after January 1, 1945.

BONSAL, Philip W., Counselor, with the personal rank of Minister of the Embassy in France, November 14, 1950–March 20, 1952; thereafter Director of the Office of Philippine and Southeast Asian Affairs until February 10, 1955.

BOOCHEVER, Louis C., Jr., Financial Economist in the Office of European Regional Affairs, Department of State, from June 26, 1950; International Relations Officer in the Office of European Regional Affairs after April 13, 1952.

BORIS, Georges, Chargé de Mission in the Personal Cabinet of French Prime Minister Pierre Mendès-France after June 1954.

BOURGÈS-MAUNOURY, Maurice, Deputy in the French National Assembly after 1946; French Minister of Armaments and Minister of Finance, March 1952–January 1953; French Minister of Industry and Commerce, June 1954–February 1955.

BOWIE, Robert R., Director of the Policy Planning Staff after May 18, 1953.

BRADLEY, General of the Army Omar N., Chairman of the Joint Chiefs of Staff until August 14, 1953.

BRENTANO, Heinrich von, Chairman of the Christlich Demokratische Union, Christlich Soziale Union (Christian Democratic Union, Christian Social Union) party coalition in the Bundestag after September 1949; German Representative to the Common Assembly of the European Coal and Steel Community and German Representative to the Consultative Assembly of the Council of Europe.

BRONZ, George, Special Assistant to the General Counsel to the Department of the Treasury.

BROWN, Aaron S., Counselor of Embassy in Portugal after December 17, 1953.

BROWN, Winthrop G., Director of the Office of International Materials Policy after November 21, 1951; Counselor of Embassy in the United Kingdom after August 20, 1952; Deputy Director of Operations Mission in the United Kingdom, 1954.

BRUCE, David K.E., Ambassador in France, May 9, 1949–March 10, 1952; Observer at the Conference for the Organization of a European Defense Community after February 1951; Under Secretary of State, April 1, 1952–January 20, 1953; Consultant to the Secretary of State until February 19, 1953; thereafter Observer to the Interim Committee of the European Defense Community and Representative to the European Coal and Steel Community.

BRUCKER, Wilber M., General Counsel of the Department of Defense, 1954–1955.

BUCKLEY, Oliver E., Chairman of the U.S. Science Advisory Committee, 1952.

BUNKER, Ellsworth, Ambassador in Italy, May 7, 1952–April 3, 1953.

BURGESS, W. Randolph, Deputy to the Secretary of the Treasury, 1953–1954; after August 3, 1954, Under Secretary of the Treasury for Monetary Affairs.

BURIN DES ROZIERS, Etienne, Technical Counselor in the Cabinet of French Prime Minister René Mayer, January–June 1953.

BURROWS, Bernard A.B., Counselor of the British Embassy in the United States, January 1950–July 1953.

BUTLER, Richard Austen, British Chancellor of the Exchequer, October 1951–December 1955.

BUTTERWORTH, W. Walton, Ambassador in Sweden, September 18, 1950–December 9, 1953; Deputy Chief of Mission of the Embassy in the United Kingdom, December 10, 1953–January 30, 1956.

BYINGTON, Homer M., Jr., Director of the Office of Western European Affairs, Department of State, June 30, 1950–August 1, 1953; thereafter Counselor of Embassy in Spain.

BYRNS, Kenneth A., Office of British Commonwealth and Northern European Affairs, Department of State, until August 2, 1952.

BYROADE, Henry A., Director of the Bureau of German Affairs from November 1, 1949; Assistant Secretary of State for Near Eastern, South Asian, and African Affairs after April 14, 1952.

CABOT, John M., Ambassador in Sweden after May 6, 1954.

CABOT, Robert M., Program Officer for European Affairs in the Office of the Director for Mutual Security, 1951–1952.

CACCIA, Sir Harold A., British Deputy Under Secretary of State for Foreign Affairs after February 1954.

CAMM, Frank, Brigadier General, U.S. Army; Chief of the Military Assistance Advisory Group in Porturgal, 1952.

CAMP, Miriam, Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State, after January 7, 1951.

CANNON, Cavendish W., Ambassador in Portugal, June 2, 1952–August 1, 1953.

CARNEY, Robert B., Admiral, U.S. Navy; Commander in Chief, Allied Forces, Southern Europe, June 1951–May 1953; thereafter Chief of Naval Operations and Member of the Joint Chiefs of Staff.

CARRIGAN, John W., Counselor of Embassy in Portugal from July 1, 1951; Consul at Dhahran after January 6, 1954.

CASEY, Richard G., Australian Minister of External Affairs.

CATTANI, Attilio, Italian Representative to, and President of the Executive Committee of the Organization for European Economic Cooperation, 1952–1955.

CHABAN-DELMAS, Jacques, Deputy in the French National Assembly after 1946; French Minister of Labor, June 1954–February 1955.

CHAPIN, Selden, Ambassador in the Netherlands, October 27, 1949–October 30, 1953.

CHERWELL, Lord (Frederick Alexander Lindemann), British Paymaster General and Advisor to Prime Minister Churchill on atomic energy affairs.

CHEVRIER, Lionel, Canadian Minister of Transport; after July 1, 1954, President of the St. Lawrence Seaway Authority.

CHIANG KAI-SHEK, Generalissimo, President of the Republic of China.

CHOU EN-LAI, Premier of Government Administration Council (from September 1954, State Council) and Minister of Foreign Affairs, People's Republic of China; in 1954, Head of the People's Republic of China Delegation to the Geneva Conference.

CHRISTENSEN, William H., Second Secretary of Embassy in Ireland after December 22, 1949; Office of British Commonwealth and Northern European Affairs, Department of State after September 3, 1952.

CHRISTIANSEN, James G., Major General, Chief of the Military Assistance Advisory Group in Italy, 1953–1954.

CHURCHILL, Winston S. (Sir Winston, from April 24, 1953), Prime Minister of the United Kingdom and First Lord of the Treasury, October 26, 1951–April 6, 1955; also British Minister of Defence, October 1951–January 1952.

CICOGNANI, Most Reverend Amleto Giovanni; Titular Archbishop of Laodicea di Frigia; Apostolic Delegate to the United States, 1933–1958.

CLARKE, William, Correspondent for the London *Observer*.

CLAXTON, Brooke, Canadian Minister of National Defense until July 1, 1954.

CLERMONT-TONNERRE, Thiery de, Secretary General of the French Interministerial Committee for questions relating to European economic cooperation, after 1951.

CLEVELAND, Harlan, Assistant Director for Europe in the Mutual Security Agency.

CLEVELAND, Robert G., Office of European Regional Affairs, Department of State, October 1952–January 1954; thereafter Consul at Sidney, Australia.

CLEVELAND, Stanley M., Consul in the Embassy in France after February 21, 1952.

COE, Robert D., Officer in Charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, until June 1952; Ambassador in Denmark, September 25, 1953–June 1, 1957.

COLE, W. Sterling, Republican Representative from New York until January 1953; Chairman of the House of Representatives Joint Committee on Atomic Energy.

COLLINS, James Lawton, Major General, U.S. Army; Chief of Staff, U.S. Army, August 16, 1949–August 14, 1953; thereafter Representative on the North Atlantic Treaty Organization Military Committee and on the North Atlantic Treaty Organization Standing Group.

COLLINS, V. Lansing, Jr., Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs, Department of State, after September 6, 1950; detailed to the National War College August 15, 1953; First Secretary and Consul at the Embassy in Italy after June 20, 1954.

CONANT, James B., President of Harvard University; High Commissioner for Germany after February 7, 1953.

CONNALLY, Tom, Democratic Senator from Texas and Chairman of the Senate Foreign Relations Committee until January 1953.

CONNOR, Vois H., Colonel, U.S. Army; Chief of the Administrative and Liaison Division of the Office of the Assistant to the Secretary of Defense for International Security Affairs, 1951–1952.

COPPÉ, Albert, Vice President of the High Authority of the European Coal and Steel Community after July 1952.

CORBETT, Jack C., Director of the Office of Financial and Development Policy, Bureau of Economic Affairs, Department of State, after March 27, 1952.

COSGRAVE, Liam, Irish Minister of External Affairs after June 2, 1954.

COSTELLO, John A., Irish Prime Minister, 1948–1951; Prime Minister and Head of the Government of Eire after June 2, 1954.

COTY, René President of France after December 23, 1953.

COWEN, Myron M., Ambassador in Belgium, June 11, 1952–June 8, 1953.

CRAWFORD, William A., First Secretary of the Embassy in France, February 21, 1952–August 4, 1954.

CUNHA, Paulo Arsenio Virissimo, Portuguese Minister of Foreign Affairs after August 2, 1950.

CUTLER, Robert, Administrative Assistant to President Eisenhower from January 20, 1953; Special Assistant to the President for National Security Affairs, March 23, 1953–April 1, 1955.

DAUM, Léon, Member of the High Authority of the European Coal and Steel Community, April 1952–June 1953.

DAVIS, Vice Admiral Arthur C., U.S. Navy; Deputy Assistant Secretary of Defense for International Security Affairs after August 1954.

DEBRE, Michel, French Representative to the Consultative Assembly of the Council of Europe; French Representative to the Common Assembly of the European Coal and Steel Community.

DE GASPERI, Alcide, Italian Prime Minister and Minister of Foreign Affairs, July 1951–August 1953; Secretary of the Italian Christian Democratic Party September 1953–July 1954.

DE GAULLE, Charles, President of the Rassemblement du Peuple Français, 1947–1954.

DEHOUSSE, Fernand, Belgian Representative to the Consultative Assembly of the Council of Europe; Belgian Representative to the European Coal and Steel Community.

DE MENTHON, François, Acting President of the Consultative Assembly of the Council of Europe.

DE PAUL, N. Carter, Mutual Security member of the Mutual Assistance Advisory Committee Working Group on Spain after December 1951; Chief of the Mediterranean Branch of the European Program Division in the Office of the Assistant Director for Europe of the Mutual Security Agency, 1952; on temporary duty with the Mutual Security Agency Working Group in Spain (Economic Group in Spain) after April 1952.

DE STAERCKE, André, Belgian Deputy Representative on the North Atlantic Council after 1951.

DEVALERA, Eamon, Irish Prime Minister, Head of the Government of the Irish Republic until June 2, 1954.

DILLON, C. Douglas, Ambassador in France, March 13, 1953–January 28, 1957.

DIXON, Sir Pierson John, British Deputy Under Secretary of State for Foreign Affairs after June 5, 1950, and British Representative on the Brussels Treaty Permanent Commission.

DODGE, Joseph M., Director of the Bureau of the Budget, January 21, 1953–April 15, 1954.

DONNELLY, Walter J., Ambassador in Austria, November 28, 1951–July 19, 1952; High Commissioner for Germany until January 1952.

DORR, Russell H., Economic Commissioner in the Office of the Special Representative in Europe at Paris after June 6, 1952.

DOUGLAS, Lewis W., Ambassador in the United Kingdom, until November 16, 1950.

DRAPER, William H., Jr., Special Representative in Europe after January 18, 1952; Representative on the North Atlantic Council, April 1952–June 1953.

DREES, Willem, Netherlands Prime Minister and Minister of General Affairs, August 6, 1948–December 22, 1958.

DULLES, Allen, Deputy Director of Central Intelligence after August 1951; Director of Central Intelligence after January 1953.

DULLES, John Foster, Consultant to Secretary of State, April 1950–April 1952; after January 21, 1953, Secretary of State.

DUNHAM, William B., Office of Western European Affairs, Department of State, October 1951–December 1954; Chairman of the Mutual Assistance Advisory Committee Working Group on Spain after December 1951.

DUNN, James Clement, Ambassador in Italy, February 6, 1947–March 27, 1952; Ambassador in France until March 2, 1953; Ambassador in Spain, April 9, 1953–February 1955.

DURBROW, Elbridge, Chief, Division of Foreign Service Personnel, Department of State from July 17, 1950; Counselor of Embassy in Italy after July 14, 1952.

EDEN, Anthony, British Secretary of State for Foreign Affairs, October 27, 1951–April 5, 1955.

EINAUDI, Luigi, President of the Italian Republic, May 1948–April 1955.

EISENBERG, Robert, Economist in the Embassy in France from December 1, 1952; Economic Officer in the Office of the Special Representative to the European Coal and Steel Community after February 19, 1953.

EISENHOWER, General of the Army Dwight D., Supreme Allied Commander in Europe, April 2, 1951–May 30, 1952; President of the United States after January 20, 1953.

ELBRICK, Charles Burke, Deputy Assistant Secretary of State for European Affairs after December 16, 1953.

ELLIOT, Sir William, Marshal of the Royal Air Force; Chairman, British Joint Services Mission in the United States; British Representative on the North Atlantic Treaty Organization Standing Group after April 1951.

ELY, Paul, General, French Army; French Member of the Military Committee of the North Atlantic Treaty Organization after August 1953; French High Commissioner and Commander-in-Chief of French Forces in Indochina after June 3, 1954.

ERLANDER, Tage, Prime Minister of Sweden from October 10, 1947.

ETZEL, Franz, Vice President of the High Authority of the European Coal and Steel Community.

FANFANI, Amintore, Italian Minister of Agriculture until June 1953; Minister of the Interior, July 1953–January 1954; Prime Minister of Italy, January–February 1954; Christian Democratic Member of Parliament, leader of Iniziativa Democratica (Democratic Initiative) and Political Secretary of the Christian Democratic Party after July 1954.

FAURE, Edgar, French Prime Minister and Minister of Finance, January 22–March 11, 1952; President of the Foreign Affairs Committee in the French National Assembly, 1952–1953; Minister of Finance and Economic Affairs, June 1953–February 1955.

FECHTELER, William M., Admiral, U.S. Navy; Chief of Naval Operations, August 16, 1951–August 17, 1953; thereafter Commander in Chief, Allied Forces, Southern Europe.

FENS, J.J., Netherlands Representative to the Consultative Assembly of the Council of Europe.

FERGUSON, John H., Deputy Director of the Policy Planning Staff, April 1, 1951–August 12, 1953.

FIDEL, Edward A., Officer in Charge of Economic Affairs in the Office of British Commonwealth and Northern European Affairs, Department of State, after August 26, 1952.

FINLETTER, Thomas K., Secretary of the Air Force until February 1953.

FISHER, Adrian S., Legal Adviser of the Department of State, June 28, 1949–January 27, 1953.

FISHER, William D., Counselor of Embassy in France, February 21–December 21, 1952; thereafter Office of Western European Affairs, Department of State.

FITZGERALD, Dennis A., Assistant Administrator for Supply in the Economic Cooperation Administration after June 30, 1951; Assistant Administrator for Supply in the Mutual Security Agency; from May 19, 1952, Associate Deputy Director of the Mutual Security Agency; Associate Deputy Director of the Foreign Operations Administration; after October 12, 1953, Deputy Director for Operations in the Foreign Operations Administration.

FLEISCHMANN, Manly, Administrator of the Defense Production Administration, 1952.

FLEMMING, Arthur S., Director of the Office of Defense Mobilization, 1953–1954.

FOSTER, Andrew B., Deputy Director of the Office of British Commonwealth and Northern European Affairs, Department of State after January 4, 1952; Counselor of Embassy in the United Kingdom after September 1954.

FOSTER, William C., Administrator of the Economic Cooperation Administration from September 1951; Deputy Secretary of Defense until January 1953.

FRANCO Y BAHAMONDE, Francisco, Head of the Spanish State, Premier of Spain from 1936.

FRANK, Isaiah, Office of Economic Defense and Trade Policy, Bureau of Economic Affairs, Department of State from September 15, 1952.

FRANKS, Sir Oliver S., British Ambassador in the United States, June 3, 1948–February 13, 1953.

FREUND, Richard B., Attaché in the United Kingdom from December 24, 1949; Attaché in France after April 16, 1952; Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs, Department of State, after November 29, 1953.

FULLER, Leon W., Deputy Director of the Office of German Political Affairs, Department of State after June 16, 1952; Member of the Policy Planning Staff from September 26, 1954.

GERSTENMAIER, Eugen, German Representative to the Consultative Assembly of the Council of Europe; German Representative to the Common Assembly of the European Coal and Steel Community; after 1954, President of the Bundestag.

GIACCHERO, Enzo, Member of the High Authority of the European Coal and Steel Community.

GIBSON, William M., First Secretary of the Embassy in France after December 6, 1952.

GIFFORD, Walter S., Ambassador in the United Kingdom, December 21, 1950–January 23, 1953.

GLEASON, S. Everett, Deputy Executive Secretary of the National Security Council from January 1950.

GLENDINNING, C. Dillon, Secretary of the National Advisory Council from 1948; Deputy Director of the Office of International Finance, Department of the Treasury, 1950; thereafter Advisor to the Secretary of the Treasury.

GODLEY, George McMurtrie, II, Office of Western European Affairs, Department of State; after March 1, 1952, Consul and First Secretary at the Embassy in Paris.

GORDON, Lincoln, Assistant to the Deputy Administrator of the Economic Cooperation Administration, January 8–December 31, 1951; Chairman of the Mutual Assistance Advisory Committee, November 1, 1951–September 28, 1952; Assistant to the Deputy Administrator of the Mutual Security Agency, January 1–April 27, 1952; Assistant Director for Plans and Policy in the Office of the Director for Mutual Security until September 28, 1952; thereafter Chief of the Mutual Security Agency Mission in the United Kingdom.

GRANDVAL, Gilbert, French Ambassador in the Saar, 1952–1955.

GRIFFIS, Stanton, Ambassador in Spain, March 1, 1951–January 28, 1952.

GRUENTHER, Alfred M., General, U.S. Army; Chief of Staff to the Supreme Allied Commander, Europe until July 11, 1953; Supreme Allied Commander, Europe until November 20, 1956.

GUDMUNDSSON, Kristinn, Icelandic Minister of Foreign Affairs, September 13, 1953–July 24, 1956.

GUGGENHEIM, M. Robert, Ambassador in Portugal, August 12, 1953–September 19, 1954.

HAGERTY, James C., Press Secretary to President Eisenhower after January 1953.

HALABY, Najeeb E., Jr., Deputy Assistant Secretary of Defense for International Security Affairs, 1952–1954.

HALL-PATCH, Sir Edmund, Permanent British Representative to the Organization for European Economic Cooperation, April 1948–September 1952; thereafter British Executive Director of the International Monetary Fund and of the International Bank for Reconstruction and Development.

HALLSTEIN, Walter, Secretary of State of Foreign Affairs in the Federal Republic of Germany after March 1951.

HAMILTON, William L., Jr., Office of British Commonwealth and Northern European Affairs, Department of State after January 1950.

HAMMARSKJÖLD, Dag H.A.C., Swedish Minister without Portfolio, 1951–1953; Secretary-General of the United Nations after April 10, 1953.

HANES, John W., Jr., Special Assistant to Secretary of State Dulles after January 21, 1953.

HANNAH, John A., Chairman of the Permanent Joint Board on Defense after January 1954.

HARLEY, Charles, Treasury Representative in the United Kingdom.

HARRIMAN, W. Averell, Director for Mutual Security, November 1, 1951–January 1953; also, Chairman of the Temporary Council Committee, North Atlantic Treaty Organization, September 1951–January 1952.

HAYTER, William G., British Minister in France until October 1953; thereafter Ambassador in the Soviet Union.

HEBBARD, William L., Assistant Director, Office of International Finance, Department of the Treasury.

HENRY, Guy V., Major General, U.S. Army (Ret.); Member of the Permanent Joint Board on Defense; Chairman of the Permanent Joint Board on Defense, February 1952–January 1954.

HENSEL, H. Struve, General Counsel, Department of Defense, 1952–1954; Counsel and Special Adviser to the Secretary of Defense, 1953; Assistant Secretary of Defense for International Security Affairs, 1954–1955.

HERZ, Martin F., Consul and Second Secretary in the Embassy in France, June 20, 1951–February 15, 1955.

HICKERSON, John D., Assistant Secretary of State for United Nations Affairs, August 8, 1949–July 27, 1953.

HILLENBRAND, Martin J., Officer in Charge of Government and Administration, Office of German Political Affairs, Department of State, after June 15, 1950; Economic Officer at the Embassy in France after September 18, 1952.

HOLMES, Julius C., Minister in the United Kingdom, September 1948–December 1953.

HOOD, Viscount Samuel, Head of the Western Organization Department of the British Foreign Office after October 1, 1951.

HOOVER, Herbert, Jr., Under Secretary of State after October 4, 1954.

HOPKINSON, Daniel K., Assistant Director for Europe in the Mutual Security Agency, 1952-1953; Regional Director for Europe in the Foreign Operations Administration.

HOROWITZ, Daniel L., Labor Adviser in the Office of European Regional Affairs, Department of State after October 3, 1949.

HORSEY, Outerbridge, Counselor of Embassy in Italy after May 23, 1950; Officer in Charge of Commonwealth Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, from December 1, 1952; Deputy Director of the Office of British Commonwealth and Northern European Affairs after September 26, 1954.

HUGHES, John C., Permanent Representative on the North Atlantic Council at Paris after June 12, 1953.

HUGHES, Rowland R., Director of the Bureau of the Budget, April 16, 1954-April 1, 1956.

HULL, John E., General, U.S. Army; Vice Chief of Staff for Operations and Administration, 1952-1953; thereafter Commander in Chief, United Nations Forces in the Far East.

HUMPHREY, George M., Secretary of the Treasury after January 21, 1953.

HUNTER, Clarence E., Chief of the Economic Cooperation Administration Mission in the Netherlands after June 10, 1949; Chief of the Mutual Secretary Agency Mission in the Netherlands, January 1952-August 1953.

HUSTON, Cloyce K., Counselor of the Embassy in Ireland, May 14, 1951-January 20, 1954.

IGNATIEFF, George, Counselor of the Canadian Embassy in the United States, 1949-1954.

ISMAY, Hastings L. (Baron of Wormington), Lord Ismay (Pug), British Secretary of State for Commonwealth Relations until March 12, 1952; thereafter Secretary General and Vice Chairman of the North Atlantic Council.

JACKSON, C.D., Special Assistant to President Eisenhower, February 16, 1953-March 31, 1954; thereafter Delegate to the Ninth Regular Session of the U.N. General Assembly.

JERNEGAN, John D., Deputy Assistant Secretary of State for Near Eastern, South Asian and African Affairs after June 26, 1952.

KALIJARVI, Thorsten V., Deputy Assistant Secretary of State for Economic Affairs from September 1, 1953.

KAPLAN, Jacob, European Regional Staff, Office of the Assistant Director for Europe, Mutual Security Agency; Office of European Operations, Foreign Operations Administration after July 1953.

KENNAN, George F., Ambassador in the Soviet Union, May 14, 1952-September 19, 1952.

KENNEY, W. John, Deputy Director for Mutual Security, February-November 1952.

KIDD, Coburn B., Deputy Director of the Office of German Political Affairs, Department of State, from June 10, 1952; Officer in Charge of German Affairs, Office of German Affairs after September 26, 1954.

KIRKPATRICK, Sir Ivone A., British High Commissioner for Germany from June, 1950; British Permanent Under Secretary of State for Foreign Affairs after November 1953.

KISSNER, August W., Major General, U.S. Air Force; Chief of the Joint Military Group in Spain after April 1952; Chief of the Military Assistance Advisory Group in Spain after September 1953.

KITCHEN, Jeffrey C., Acting Chief of the Policy Reports Staff of the Executive Secretariat, May 26–November 9, 1952; Special Assistant to the Secretary of State, November 9, 1952–January 23, 1953; thereafter Deputy Director of the Executive Secretariat, Department of State, until October 1954.

KNIGHT, Ridgway B., Acting Deputy Director of the Office of European Regional Affairs, February 16, 1951–July 6, 1952; from July 1951, Advisor on North Atlantic Treaty Organization Affairs; Deputy Director of the Office of European Regional Affairs until August 11, 1953; Acting Director of the Office of Western European Affairs until January 15, 1954; thereafter Deputy Assistant High Commissioner for Germany.

KNIGHT, William E., II, Italian Desk Officer, Office of Western European Affairs, Department of State after December 17, 1951.

KOENIG, Marie-Pierre, General, French Army; Deputy in the French National Assembly after 1951; French Minister of National Defense, June 19–September 5, 1954.

KRANICH, Robert H., Office of European Regional Affairs, Department of State after July 12, 1950; Officer in Charge of North Atlantic Treaty Economic and Military Assistance, Office of European Regional Affairs after August 15, 1954.

KYES, Roger M., Deputy Secretary of Defense, February 2, 1953–May 1, 1954.

LABOUISSE, Henry R., Jr., Chief of the Economic Cooperation Administration Mission in France from August 19, 1951; after January 1, 1952, Chief of the Mutual Security Agency Mission in France; Director of the Foreign Operations Administration Mission in France after July 1, 1953.

LANGE, Halvard, Norwegian Minister of Foreign Affairs after February 1, 1946.

LANIEL, Joseph, Prime Minister of France, June 28, 1953–June 19, 1954.

LAURENS, Camille, Deputy in the French National Assembly after 1946; French Minister of Agriculture, August 11, 1951–June 27, 1953.

LAURO, Achille, President of the Italian National Monarchist Party.

LAWSON, Edward B., Minister in Iceland, September 22, 1949–May 29, 1954.

LAWSON, George W., Director of the Budget Division, Mutual Security Agency until August 1953.

LAY, James S., Jr., Executive Secretary of the National Security Council from January 1950.

LE PAN, Douglas V., Minister-Counselor of the Canadian Embassy in the United States until 1955.

LEDDY, John M., Director of the Office of Economic Defense and Trade Policy, November 21, 1951–April 14, 1953; thereafter Acting Deputy Assistant Secretary of State for Economic Affairs.

LEE, Sir Frank, Permanent Secretary of the British Board of Trade.

LEMASS, Sean F., Deputy Prime Minister of Ireland and Minister of Industry and Commerce, June 1951–June 1954.

LEQUERICA, Jose Felix de, Spanish Ambassador in the United States after January 17, 1951.

LETOURNEAU, Jean, French Minister of State in Charge of Relations with Indochina until July 1953; French High Commissioner in Indochina, April 1952–July 1953.

LEVY-HAWES, Maurice G., Lieutenant, U.S. Army; Economist with the Department of Defense until October 1952; thereafter Foreign Affairs Officer in the Office of European Regional Affairs, Department of State.

LINDER, Harold F., Deputy Assistant Secretary of State for Economic Affairs, February 15, 1951–December 12, 1952; Assistant Secretary of State for Economic Affairs until May 1953.

LLOYD, David D., Administrative Assistant to President Truman, 1952.

LLOYD, John Selwyn (Brooke), British Minister of State from October 1951; British Minister of Trade after October 1954.

LODGE, Henry Cabot, Jr., Ambassador to the United Nations from January 26, 1953.

LOVETT, Robert A., Secretary of Defense, September 1951–January 1953.

LUCE, Clare Boothe, Ambassador in Italy, May 4, 1953–December 27, 1956.

LUNS, Joseph M.A.H., Netherlands Minister of Foreign Affairs (position jointly held with Johan Beyen), September 1, 1952–October 1, 1955; thereafter sole Minister of Foreign Affairs.

LYONS, Daniel M., Office of Western European Affairs, Department of State after April 3, 1950.

MACARTHUR, Douglas, II, Counselor of Embassy in France and Advisor on International Affairs to the Supreme Allied Commander, Europe, February 1951–October 1952; Counselor of the Department of State, March 1953–December 19, 1956.

MACMILLAN, Sir Harold, British Minister of Housing and Local Government until October 1953; thereafter British Minister of Defense.

MACVEAGH, Lincoln, Ambassador in Portugal until February 26, 1952; Ambassador in Spain, March 27, 1952–March 4, 1953.

MAKINS, Sir Roger M., British Deputy Under Secretary of State for Foreign Affairs, April 22, 1948–December 30, 1952; British Ambassador in the United States after January 7, 1953.

MALAGODI, Giovanni, Secretary of the Italian Liberal Party after 1954.

MANSHOLT, S.L., Netherlands Minister of Agriculture, Fisheries and Food after 1948.

MARGOLIES, Daniel F., Deputy Director of the Office of German Economic Affairs, Department of State, after January 21, 1951; Director of the Office of German Economic Affairs from July 8, 1951; Officer in Charge of Economic Affairs in the Office of German Affairs after November 2, 1953.

MARJOLIN, Robert Ernest, Secretary General of the Organization for European Economic Cooperation.

MARJORIBANKS, James A.M., Deputy Head of the British Delegation to the High Authority of the European Coal and Steel Community after August 31, 1952.

MARTIN, Edwin M., Director of the Office of European Regional Affairs, Department of State, from October 3, 1949; Special Assistant to the Secretary of State for Mutual Security Affairs, from September 28, 1952; Deputy Representative on the North Atlantic Council after June 25, 1953.

MARTIN, William McC., Chairman of the Board of Governors of the Federal Reserve Board, and Member of the National Advisory Council.

MARTÍN Artajo, Alberto, Foreign Minister of Spain, July 1945–February 1957.

MARTINO, Gaetano, Italian Minister of Education, February–September 1954; Italian Minister of Foreign Affairs, September 18, 1954–May 20, 1957.

MATTHEWS, Francis P., Ambassador in Ireland, October 22, 1951–September 7, 1952.

MATTHEWS, H. Freeman, Deputy Under Secretary of State, July 5, 1950–September 31, 1953; thereafter Ambassador in the Netherlands.

MAYER, René, French Deputy Prime Minister and Minister of Finance and Economic Affairs, August 11, 1951–January 20, 1952; Prime Minister of France, January 8–June 28, 1953.

MCBRIDE, Robert H., Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, Department of State, after February 21, 1952; First Secretary in the Embassy in France after September 25, 1954.

MCCAFFERY, Richard S., Jr., Member of the Mutual Security Agency Economic Group in Spain, May 1952–September 1953; Economic Commissioner at Madrid until November 1954.

MCCARRAN, Patrick A., Senator from Nevada, 1933–1954; Member of the Senate Appropriations Subcommittee on Mutual Security.

McFALL, Jack K., Assistant Secretary of State for Congressional Relations, October 15, 1949–September 9, 1952; Minister in Finland, November 15, 1952–May 1, 1953; thereafter Ambassador in Finland.

McKAY, R.A., Canadian Assistant Under Secretary of State for External Affairs, 1952–1954; Deputy Under Secretary of State for External Affairs, 1954; Member of the Permanent Joint Board on Defense, 1954–1955.

McMAHON, Brien, Senator from Connecticut and Chairman of the Joint Committee on Atomic Energy.

McNAUGHTON, Andrew G.L., General, Canadian Army; Chairman of the Canadian Section of the Permanent Joint Board on Defense, 1945–1959.

McWILLIAMS, William J., Director of the Executive Secretariat, Department of State, January 18, 1950–August 19, 1953.

MELOY, Francis E., Jr., Assistant to the Director of the Executive Secretariat, Department of State, from May 23, 1950; Second Secretary at the Embassy in France after July 24, 1953.

MENDÈS-FRANCE, Pierre, Prime Minister of France, June 19, 1954–February 23, 1955.

MENZIES, Robert G., Prime Minister of Australia after December 19, 1949.

MERCHANT, Livingston T., Special Assistant to the Secretary of State for Mutual Security Affairs until March 1952; Deputy to the Special Representative in Europe at Paris, March 24, 1952–March 11, 1953; Assistant Secretary of State for European Affairs until May 7, 1956.

MESTA, Pearl, Minister in Luxembourg, September 21, 1949–April 13, 1953.

MILLAR, John Y., Office of Western European Affairs, Department of State, February 1952–February 1954.

MINOTTO, James, Chief of the Special Mission for Economic Cooperation in Portugal from April 23, 1951; after January 1952, Chief of the Mutal Security Mission in Portugal; after July 1953, Chief of the Foreign Operations Mission in Portugal.

MITTERRAND, François, Deputy in the French National Assembly after 1946; French Minister of State, January–March 1952; French Minister of the Interior, June 19, 1954–February 22, 1955.

MOE, Finn, Norwegian Representative to the Consultative Assembly of the Council of Europe.

MOLLET, Guy, Deputy in the French National Assembly from 1946; President of the General Affairs Committee of the Consultative Assembly of the Council of Europe after 1954.

MOLOTOV, Vyacheslav Mikhailovich, Soviet Minister of Foreign Affairs after March 1953; Member of the Politburo from 1926, and Member of the Presidium after October 1952.

MONNET, Jean, Chairman of the Schuman Plan Conference; President of the High Authority of the European Coal and Steel Community after July 24, 1952.

MOORE, Ben T., First Secretary in the Embassy in the United Kingdom from June 5, 1950; Director of the Office of European Regional Affairs, Department of State, after September 29, 1952.

MORELAND, Allen B., Office of the Assistant Secretary of State for Congressional Relations until April 1953; thereafter Office of the Special Assistant for Mutual Security Affairs.

MORTON, Thruston B., Assistant Secretary of State for Congressional Relations after January 30, 1953.

MOSADEQ, Mohammad, leader of the Iranian National Front; Prime Minister of Iran until July 5, 1952 and July 11–16, 1952; Prime Minister and Minister of Defense, July 22, 1952–August 15, 1953.

MOSSADEGH. See Mosadeq.

MULCAHY, R., General, Head of the Irish Fine Gael Party since 1951; Irish Minister of Education after June 2, 1954.

MURPHY, Charles S., Special Counsel to President Truman, 1952.

MURPHY, Robert D., Ambassador in Belgium, November 29, 1949–March 19, 1952; Ambassador in Japan, May 9, 1952–April 28, 1953; Appointed Assistant Secretary of State for United Nations Affairs, March 20, 1953; Political Adviser to the United Nations Command on the Korean Armistice Negotiations, April 28–July 11, 1953; Chief of Mission, United Nations, May 31–November 30, 1953; Acting Deputy Under Secretary of State in addition to duties as Assistant Secretary of State for United Nations Affairs, November 30–December 18, 1953; Deputy Under Secretary of State for Political Affairs after December 18, 1953.

MUTTER, André, French Representative in the Consultative Assembly of the Council of Europe; French Member of the *Ad Hoc* Assembly of the European Coal and Steel Community.

NASH, Frank C., Assistant to the Secretary of Defense for International Security Affairs, August 28, 1951–February 10, 1953; Assistant Secretary of Defense for International Affairs until February 28, 1954.

NEHRU, Jawaharlal Pandit, Indian Prime Minister and Minister for External Affairs and Commonwealth Relations from August 1947.

NENNI, Pietro, Secretary General of the Italian Socialist Party.

NEWMAN, George S., Office of the Special Assistant to the Secretary of State for Mutual Security Affairs.

NITZE, Paul H., Director of the Policy Planning Staff, January 1, 1950–April 1953.

NIXON, Richard M., Senator from California until January 1953; thereafter Vice President of the United States.

NOLTING, Frederick E., Special Assistant to the Deputy Under Secretary of State from October 14, 1951; Acting Special Assistant to the Secretary of State for Mutual Security Affairs after August 4, 1953; Special Assistant to the Secretary of State for Mutual Security Affairs after January 4, 1954.

NORTON, William, Head of the Irish Labor Party from 1932; Deputy Prime Minister of Ireland and Minister of Industry and Commerce after June 2, 1954.

O'CONNOR, Roderic L., Assistant to the Secretary of State, January 21, 1953–February 21, 1954; thereafter Special Assistant to the Secretary of State.

OEN, Bjarne A., Lieutenant General, Norwegian Air Force; Norwegian Military Representative at Supreme Headquarters, Allied Powers, Europe, 1952–1954; Commandant of the National Defense College and Chief of the Norwegian Air Staff until 1957.

OHLY, John H., Assistant Director for Policy and Program Development in the Office of the Director for Mutual Security after October 14, 1951; Assistant Director for Programs in the Office of the Director for Mutual Security after April 17, 1952; Deputy to the Director for Program Coordination in the Mutual Security Agency after March 23, 1953; Deputy Director for Programs and Planning in the Foreign Operations Administration after October 1, 1953.

OULASHIN, Eric E., Deputy Executive Secretary of the Office of the Special Representative in Europe at Paris.

PACE, Frank, Jr., Secretary of the Army, October 12, 1950–January 21, 1953.

PALMER, Joseph II, First Secretary at the Embassy in the United Kingdom after May 23, 1950; Deputy Director of the Office of European Regional Affairs, Department of State after October 15, 1953.

PARIS, Jacques-Camille, Secretary General of the Council of Europe.

PARSONS, James Graham, Deputy Director of the Office of European Regional Affairs, Department of State, July 16, 1951–May 16, 1952; Acting Director of the Office of European Regional Affairs, May 19, 1952–July 18, 1953.

PATTERSON, Richard C., Ambassador in Switzerland, June 27, 1951–April 14, 1953.

PEARSON, Lester B. (Mike), Canadian Secretary of State for External Affairs, 1948–1957.

PELLA, Giuseppe, Italian Minister of the Budget until February 1952; Minister of the Budget and Treasury, February 1952–July 1953; Minister of the Treasury, July–August 1953; Italian Prime Minister, Minister of Foreign Affairs, and Minister of the Budget, August 1953–January 1954.

PENFIELD, James K., Counselor of the Embassy in the United Kingdom, July 1950–August 1954; thereafter Deputy Chief of Mission in Austria.

PERKINS, George W., Assistant Secretary of State for European Affairs until January 29, 1953.

PETERSON, Avery F., Officer in Charge of Commonwealth Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, February 1952–July 1953.

PFLIMLIN, Pierre, French Minister of Commerce and External Economic Relations, August 11, 1951–January 20, 1952; thereafter Minister of State of the Council of Europe.

PHILLIPS, Joseph B., Deputy Assistant Secretary of State for Public Affairs from March 6, 1952; Acting Director of the Office of Public Affairs from October 23, 1952; Director of the Office of Public Affairs at Bonn after June 30, 1954.

PHLEGER, Herman, Legal Adviser of the Department of State after February 2, 1953.

PINAY, Antoine, Prime Minister of France and Minister of Finance, March 8, 1952–January 8, 1953.

PIUS XII, His Holiness (Eugenio Pacelli), the Supreme Pontiff, Vatican City from March 1939.

PLATT, Edward G., Jr., Office of the Executive Secretariat, Department of State from June 29, 1951; Staff Assistant to the Assistant Secretary of State for Public Affairs after January 1, 1954.

PLEVEN, René, Prime Minister of France, July 1950–March 1951; Deputy Prime Minister of France, March–August 1951; Prime Minister, August 1951–January 1952; French Minister of National Defense, March 1952–June 1954.

PORTER, Paul R., Deputy Special Representative for Economic Affairs in Europe after January 15, 1952.

QUEUILLE, Henri, Deputy in the French National Assembly after 1946; Minister of State, August 11, 1951–January 19, 1952; President of the Council of the Republic, January 20, 1952–June 18, 1954.

RABENOLD, Ellwood M., Jr., Office of Western European Affairs, Department of State, September 30, 1952–July 15, 1956.

RADFORD, Arthur W., Admiral, U.S. Navy; Chairman of the Joint Chiefs of Staff after August 15, 1953.

RAND, William M., Deputy Director of the Mutual Security Agency until July 1953; thereafter Deputy Director of the Foreign Operations Administration.

RANDALL, Clarence B., Member of the Business Advisory Council, Department of Commerce, 1951–1957; Chairman of the Commission on Foreign Economic Policy, 1953–1954.

RAYNOR, G. Hayden, Director of the Office of British Commonwealth and Northern European Affairs, Department of State after March 4, 1951.

REAMS, R. Borden, Counselor of the Legation in Switzerland after March 5, 1951.

REINHARDT, G. Frederick, Counselor of the Embassy in France, North Atlantic Treaty Organization Defense College, from October 3, 1951; Counselor of the Embassy in France, November 10, 1952–April 19, 1955.

REYNAUD, Paul, French Member of the Common Assembly of the European Coal and Steel Community; Deputy in the French National Assembly after 1946 and President of the National Assembly's Commission on Finances.

RIDDLEBERGER, James W., Political Adviser to the Economic Cooperation Administration from September 4, 1950; Director of the Bureau of German Affairs, Department of State, after May 14, 1952; Ambassador in Yugoslavia after July 31, 1953.

RIDGWAY, Matthew B., General, U.S. Army, Supreme Allied Commander in Europe, June 1952–May 1953; thereafter Chief of Staff, U.S. Army, August 1953–June 1955.

RILEY, Roderick H., Officer in Charge of Trade and Resources, Office of German Economic Affairs, Department of State, from 1951.

ROBERTSON, Walter S., Assistant Secretary of State for Far Eastern Affairs after March 27, 1953.

ROGERS, Charles E., Office of European Regional Affairs, 1952–1954.

ROIJEN, Jean Herman Van, Netherlands Ambassador in the United States after September 19, 1950.

RONHOVDE, Andreas G., Officer in Charge of Northern European Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, until May 23, 1954.

ROUNTREE, William M., Director of the Office of Greek, Turkish, and Iranian Affairs, Department of State, from August 1950; after June 1952, Deputy Chief of Mission in Turkey and after August 1952, Counselor of Embassy in Turkey; Counselor of Embassy in Iran after October 1, 1953.

ROWAN, Sir Leslie, Second Secretary in the British Treasury after September 1951.

ST. LAURENT, Louis S., Prime Minister of Canada from 1948.

SALAZAR, Antonio de Oliveira, Prime Minister of Portugal from 1932.

SALISBURY, Lord (Robert A.J.G. Cecil), British Secretary of State for Commonwealth Relations, March–December 1952; Acting Secretary of State for Foreign Affairs, June–October 1953.

SANDYS, Duncan, British Minister of Supply, October 1951–October 1954.

SANTOS COSTA, Fernando dos, Lieutenant Colonel, Portuguese Minister of National Defense from 1951.

SARAGAT, Giuseppe, Secretary of the Italian Social Democratic Party, 1949–1958; Italian Deputy Prime Minister and Minister without Portfolio, February 1954–May 1957.

SAVAGE, Carlton, Member of the Policy Planning Staff, Department of State, after January 1948.

SCELBA, Mario, Italian Minister of the Interior until July 1953; Italian Prime Minister and Minister of the Interior, February 1954–May 1955.

SCHAETZEL, J. Robert, Special Assistant to the Assistant Secretary of State for Economic Affairs, October 15, 1950–August 15, 1954.

SCHELLING, Thomas C., Officer in Charge of European Program Affairs, Office of the Deputy to the Director for Program and Coordination, Mutual Security Agency.

SCHUMAN, Robert, French Minister of Foreign Affairs until January 1953; thereafter Deputy in the French National Assembly.

SCHUMANN, Maurice, French Secretary of State for Foreign Affairs, August 1951–June 1954; Deputy in the French National Assembly since 1946 and Chairman of the National Assembly's Foreign Affairs Committee.

SCOTT, Joseph W., Officer in Charge of Swiss and Benelux Affairs, Office of Western European Affairs, Department of State, from August 6, 1950; Attaché at the Embassy in France after May 7, 1952.

SCOTT, Walter K., Deputy Assistant Secretary of State for Administration, September 11, 1950–March 21, 1954; thereafter Director of the Executive Secretariat.

SEMLER, Johannes, German Representative to the Consultative Assembly of the Council of Europe and German Member of the *Ad Hoc* Assembly of the European Coal and Steel Community.

SEYDOUX DE CLAUSSONNE, François Fornier, Director of the Office of European Affairs, French Ministry of Foreign Affairs after September 1949.

SEYDOUX DE CLAUSSONNE, Roger, Counselor of the French Embassy in the United States after February 1952; Minister of the French Embassy in the United States, December 1952–September 1954.

SHEPPARD, William J., Executive Assistant to the Director for Mutual Security after November 1951.

SHUCKBURGH, Charles A.E., Private Secretary to British Secretary of State for Foreign Affairs Eden, until May 1954; thereafter Assistant Under Secretary of State for Foreign Affairs.

SIMMONS, John F., Chief of Protocol, Department of State, after August 1950.

SLIM, Field Marshal Sir William, Chief of the Imperial General Staff, 1952; Governor-General in Australia after May 8, 1953.

SMITH, Walter Bedell, Director of Central Intelligence until February 8, 1953; Under Secretary of State until October 1, 1954.

SNOW, William P., Counselor of the Embassy in Norway until September 8, 1953.

SNYDER, John W., Secretary of the Treasury, June 1946–January 1953; Chairman of the National Advisory Council.

SOUTHARD, Frank A., Jr., Special Assistant to the Secretary of the Treasury.

SOUTOU, Jean, Secretary of Foreign Affairs; Director of the Cabinet of the Ministry of Foreign Affairs, June 1954–February 1955.

SPAAK, Paul-Henri, President of the Common Assembly of the European Coal and Steel Community from July 1952; Belgian Minister of Foreign Affairs after April 1954.

SPIERENBURG, Dirk Peter, President of the Council of the Organization for European Economic Cooperation, 1950–1951; after July 1952, Member of the High Authority of the European Coal and Steel Community.

SPINELLI, Altiero, Secretary-General of the European Union of Federalists.

SPOFFORD, Charles M., Deputy Representative on the North Atlantic Council at London until January 1952.

SPRY, James W., Major General, U.S. Air Force; Chief of the Joint Military Survey Team in Spain, August 22–November 1, 1951.

STABLER, Wells, Officer in Charge of Egypt and Anglo-Egyptian-Sudan Affairs, Office of Near Eastern Affairs, Department of State, 1951–1952; Acting Deputy Director of the Office of Near Eastern Affairs from October 1952; Second Secretary of the Embassy in Italy after January 1953.

STASSEN, Harold E., Director for Mutual Security after January 20, 1953; Director of Foreign Operations Administration after August 1, 1953.

STEEL, Sir Christopher E., British Minister in the United States until August 18, 1953; thereafter British Permanent Representative on the North Atlantic Council.

STEENSEN-LETH, Vincens de, Danish Permanent Representative on the North Atlantic Council in Paris, April 16, 1952–January 1, 1954; thereafter Danish Ambassador in the United Kingdom.

STEWART, George C., Major General, U.S. Army; Deputy Administrator, General Staff, Department of the Army until 1953; thereafter Director of Military Assistance, Department of International Security Affairs.

STIKKER, Dirk U., Netherlands Minister of Foreign Affairs (August, 1948–September 1952) and Chairman of the Council of the Organization for European Economic Cooperation.

STINEBOWER, Leroy D., Director of the Office of Financial and Development Policy, Bureau of Economic Affairs, Department of State, after April 16, 1950.

STRAUSS, Lewis L., Admiral, U.S. Navy; Special Assistant to President Eisenhower on Atomic Energy Matters from March 9, 1953; Chairman of the Atomic Energy Commission after July 2, 1953.

STREIBERT, Theodore C., Director of the United States Information Agency after August 1, 1953.

STRONG, Leicester Corrin, Ambassador in Norway, August 10, 1953–February 16, 1957.

STRUYE, Paul, Belgian Representative to the Consultative Assembly of the Council of Europe; Belgian Delegate to the Common Assembly of the European Coal and Steel Community.

STUART, R. Douglas, Ambassador in Canada after July 15, 1953.

SUFRIN, Sidney C., Professor of Economics, Syracuse University; Chief of the Temporary Economic Cooperation Administration Study Group in Spain, August–December 1951.

TABOUIS, Geneviève, Foreign Affairs Editor of the French journal, *L'Information*.

TAFT, William Howard III, Ambassador in Ireland after May 13, 1953.

TANNENWALD, Theodore, Jr., Assistant Director and Chief of Staff of the Office of the Director for Mutual Security, 1952.

TARCHIANI, Alberto, Italian Ambassador in the United States, March 8, 1945–January 1955.

TASCA, Henry J., Special Assistant to the Special Representative in Europe at Paris from May 22, 1949; Director of Plans and Policy in the Office of the Special Representative in Europe after June 11, 1952; Deputy Special Representative for Economic Affairs in the Office of the Special Representative in Europe from March 1, 1953; Director of the Operations Mission in Italy after December 12, 1953.

TAVIANI, Paolo Emilio, Under Secretary to the Italian Ministry of Foreign Affairs until July 1953; Italian Minister of Foreign Commerce, July–August 1953; after August 17, 1953, Italian Minister of Defense.

TAYLOR, Myron C., Personal Representative, with rank of Ambassador, of Presidents Roosevelt and Truman to Pope Pius XII, 1939–1950.

TEITGEN, Pierre Henri, President of the Mouvement Rèpublicain Populaire in France after May 1952; Vice President of the Council of Ministers, June 1953–June 1954; French Representative to the Consultative Assembly of the Council of Europe and French Representative to the Common Assembly of the European Coal and Steel Community.

TERRENOIRE, Louis, Secretary General of the Rassemblement du Peuple Français, 1951–1954.

TERRY, Carroll M., First Secretary of the Embassy in Spain until February 1954.

TESORO, George A., Office of Western European Affairs, Department of State.

THIELEN, Bernard, Colonel, Chief, Policy Division, Office of Military Assistance, Department of Defense, 1952.

THORP, Willard L., Assistant Secretary of State for Economic Affairs, November 15, 1946–November 15, 1952.

THURSTON, Ray L., Deputy Director of the Office of Eastern European Affairs, Department of State, from June 1952; Director of the Office of Eastern European Affairs after May 1954.

TICOULAT, Gabriel, J., Deputy Administrator for International Materials Activities, Defense Production Administration, 1952.

TIMMONS, Benson E.L., Deputy Director of the Operations Mission in France until July 31, 1953; in the Foreign Operations Administration, August 1953–October 1954; First Secretary of the Embassy in France after November 1, 1954; Director of the U.S. Operations Mission in France after December 27, 1954.

TITTMANN, Harold H., Jr., Ambassador in Peru, September 27, 1948–March 30, 1955.

TIZARD, Sir Henry, Chairman of the British Defense Research Policy Committee.

TOMLINSON, William M., Finance and Economic Adviser at the Embassy in France until August 1952; thereafter Deputy Representative to the European Coal and Steel Community.

TORP, Oscar, Prime Minister of Norway, November 15, 1951–January 21, 1955.

TRAIN, George F., Chief of the Mutual Security Agency Economic Group in Spain, April 1952–September 1953.

TRUMAN, Harry S., President of the United States, April 12, 1945–January 20, 1953.

TYLER, William R., Counselor of Embassy in France from September 27, 1948; Public Affairs Officer in France after July 29, 1952; First Secretary and Consul at the Embassy in France after September 17, 1952; Political Officer in France after August 4, 1953; Deputy Director of the Office of Western European Affairs, Department of State, after May 8, 1954.

UNDÉN, Östen, Swedish Minister of Foreign Affairs after July 31, 1945.

VALLETTA, Vittorio, President and Managing Director of FIAT.

VANDENBERG, Hoyt S., General, U.S. Air Force; Chief of Staff of the Air Force, 1951–1953.

VAN HOLLEN, Christopher, Member of the Staff of the Executive Secretariat, Department of State, June 1951–December 1954.

VANONI, Ezio, Italian Minister of Finance and *Ad Interim* Minister of the Treasury, February 1952; Italian Minister of Finance, February 1952–January 1954; thereafter Italian Minister of the Budget.

VAN ROIJEN, Jean Herman. *See* Roijen.

VAN ZEELAND, Paul. *See* Zeeland.

VASS, Lawrence C., Officer in Charge of North Atlantic Treaty Economic and Military Assistance Affairs, Office of European Regional Affairs, Department of State, May 13, 1951–August 15, 1954.

VERNON, Raymond, Deputy Director of the Office of Economic Defense and Trade Policy, Bureau of Economic Affairs, Department of State after November 21, 1951.

VEST, George S., Second Secretary of the Embassy in Canada, March 1952–November 1954.

VIGON, Juan, Chief of the Spanish High General Staff and chief negotiator of the Military Agreements with the United States, 1952–1953.

VOORHEES, Tracy S., Defense Advisor to the Mission to the North Atlantic Treaty Organization and Director of Offshore Procurement in Europe for Secretary of Defense, 1953–1954.

VYSHINSKY, Andrey Yanuaryevich, Soviet Minister of Foreign Affairs, March 1949–March 1953, First Deputy Minister of Foreign Affairs and Soviet Permanent Representative at the United Nations, April 1953–November 1954.

WAN WAITHAYAKON, Prince, Krommun Naradhip Bongsprabandh, Ambassador from Thailand in the United States, January–March 1952; thereafter Thai Minister of Foreign Affairs.

WAUGH, Samuel C., Assistant Secretary of State for Economic Affairs after June 5, 1953.

WEBB, James E., Under Secretary of State, January 28, 1949–February 29, 1952.

WEEKS, Sinclair, Secretary of Commerce, January 21, 1953–November 10, 1958.

WEST, George L., Jr., Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, Department of State after September 12, 1954.

WHITE, Ivan B., Economic Counselor of Embassy in Spain, August 17, 1951–September 17, 1953; Member of the Mutual Security Agency Economic Group in Spain, April 1952–September 1953.

WHITMAN, Ann C., Secretary to President Eisenhower after January 21, 1953.

WIGHT, William L., Jr., Office of British Commonwealth and Northern European Affairs, Department of State; Secretary of the United States Section of the Permanent Joint Board on Defense until December 1954.

WILGRESS, L. Dana, High Commissioner for Canada in the United Kingdom, 1949–1952; Under Secretary of State for External Affairs, 1952–1953; Canadian Permanent Representative on the North Atlantic Council, and Representative to the Organization for European Economic Cooperation, 1953–1958.

WILLIAMS, Edward L., Director of the U.S. Operations Mission in Spain, after October 6, 1953.

WILLIAMS, Walter, Deputy Under Secretary of Commerce until January 1953; thereafter Under Secretary of Commerce.

WILLIAMSON, Francis T., Deputy Director of the Office of Western European Affairs, Department of State, June 30, 1950–July 20, 1952; Director of the Planning Staff of the Office of Western European Affairs until January 23, 1953; thereafter Counselor of Embassy in Italy.

WILLIS, Francis E., Ambassador in Switzerland after October 9, 1953.

WILLOUGHBY, Woodbury, Counselor of Embassy in Canada until December 1953; thereafter Counselor of Embassy in Austria.

WILSON, Charles Edward, Director of the Office of Defense Mobilization, 1950–1952.

WILSON, Charles Erwin, Secretary of Defense after January 28, 1953.

WOLF, Joseph J., Officer in Charge of Political-Military Affairs, Office of European Regional Affairs, Department of State, from July 20, 1952; Special Adviser for North Atlantic Treaty Organization Affairs after July 1954.

WOOD, C. Tyler, Associate Deputy Director of the Mutual Security Agency after January 1, 1952; Economic Coordinator for Korea at Seoul after September 30, 1953.

WOODBRIDGE, George, Chief of the Northern European Branch of the European Program Division, Economic Cooperation Administration, until December 31, 1952; Chief of the Northern European Branch of the European Program Division, Mutual Security Agency, until August 1952.

WOODWARD, Stanley, Ambassador in Canada, June 22, 1950–January 14, 1953.

WRONG, Hume, Canadian Ambassador in the United States, November 8, 1946–August 3, 1953; thereafter Canadian Secretary of State for External Affairs.

XANTHAKY, Theodore A., Special Assistant to the Ambassador in Portugal from March 1945.

ZEELAND, Paul Van, Belgian Minister of Foreign Affairs and Foreign Trade, August 10, 1949–April 22, 1954.

ZOPPI, Vittorio, Secretary General of the Italian Ministry of Foreign Affairs, June 1948–November 1954.

LIST OF SHORT TITLES

Acheson, *Present at the Creation.* Acheson, Dean, *Present at the Creation. My Years in the State Department* (New York, 1969).

Documents, (R.I.I.A.) for 1952, 1953, and 1954. Folliot, Denise, ed., *Documents on International Affairs,* 1952, 1953, and 1954 (Royal Institute of International Affairs, London, 1955–1957).

Eden, *Full Circle.* Eden, Anthony, *The Memoirs of Anthony Eden. Full Circle* (Boston, 1960).

Eisenhower, *Mandate for Change.* Eisenhower, Dwight D., *The White House Years. Mandate for Change: 1953–1956* (New York, 1963).

H.C. Deb. 5s. House of Commons, *Parliamentary Debates,* 5th Series.

Sulzberger, *A Long Row of Candles.* Sulzberger, C.L., *A Long Row of Candles. Memoirs and Diaries, 1934–1954* (New York, 1969).

Truman, *Memoirs.* Truman, Harry S., *Memoirs by Harry S. Truman. Volume II: Years of Trial and Hope* (New York, 1956).

LIST OF SOURCES

Department of State files

A/MS Files, Lot 54 D 291

Consolidated administrative files of the Department of State for the years 1949–1960, as maintained by the Management Staff of the Bureau of Administration. (180 ft.)

Austrian-Italian Desk Files, Lot 54 D 541

Subject files on Austria, Italy, and Trieste for the years 1947–1952, as maintained in the Office of Western European Affairs. (5 ft.)

BNA Files, Lot 55 D 634

Political files on Denmark, Iceland, Sweden, and Norway, for the years 1950–1954, as maintained in the Division of Northern Europe, Office of British Commonwealth and Northern European Affairs. (1 ft.)

Bruce Mission Files, Lot 57 M 38

Master file of telegrams, memoranda, briefing and background papers relating to the European Defense Community, the European Political Community, the Saar issue, and the European Coal and Steel Community, for the years 1951–1954, as maintained by the Embassy in Paris. (27 ft.)

Camp Files, Lot 55 D 105

Special collection of documentation on European political and economic integration for the period 1948–1953, including important correspondence between officers of the Department of State and the White House staff and Congress, as maintained by Miriam Camp of the Office of European Regional Affairs. (2 ft.)

Canadian Desk Files, Lot 63 D 156

Master file of the Permanent Joint Board on Defense (U.S.–Canada) for the years 1940–1958, as maintained in the Office of British Commonwealth and Northern European Affairs. (9 ft.)

Canadian Desk Files, Lot 69 D 302

Subject files on United States–Canadian military matters for the years 1947–1964, as maintained in the Office of British Commonwealth and Northern European Affairs. (16 ft.)

CFM Files, Lot M–88

Consolidated master collection of the records of conferences of Heads of State, Council of Foreign Ministers and ancillary bodies, North Atlantic Council, other meetings of the Secretary of State with the Foreign Ministers of European powers, and materials on the Austrian and German peace settlements for the years 1943–1955, prepared by the Department of State Records Service Center. (254 ft.)

Conference Files, Lot 59 D 95

Collection of documentation on certain official visits of heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1949–1955, as maintained by the Executive Secretariat of the Department of State. (13 ft.)

Conference Files, Lot 60 D 627

Collection of documentation on certain official visits of heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1953–1958, as maintained by the Executive Secretariat of the Department of State. This file is a continuation of Lot 59 D 95. (25 ft.)

Current Economic Developments, Lot 70 D 467

Master set of the Department of State classified publication *Current Economic Developments* for the years 1945–1969, as maintained in the Bureau of Economic Affairs. (7 ft.)

DMS Files, Lot W 1425

Subject files of the Office of the Director for Mutual Security for the years 1950–1953. These files were retired by the Foreign Operations Administration (FOA) and are a part of Federal Records Center Accession No. 55 A 79. (7 ft.)

DMS Files, Lot W 1444

General subject and country files of the Office of the Director for Mutual Security for the years 1952–1955. These files were retired by the International Cooperation Administration (ICA) and are a part of Federal Records Center Accession No. 56 A 632. (15 ft.)

ECA Telegram Files, Lot W 130

Serial telegram files of incoming Economic Cooperation Administration (ECA) cables for the years 1948–1951, as maintained by the Administrative Services Division of the ECA and subsequently retired by the Mutual Security Agency (MSA). These files, which are presently administered by the Agency for International Development (AID) are a part of Federal Records Center Accession No. 53 A 278. (37 ft.)

ECA Telegram Files, Lot W 131

Serial telegram files of outgoing ECA cables for the years 1948–1951, as maintained by the Administrative Services Division of the ECA and subsequently retired by the MSA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 53 A 278. (57 ft.)

ECA-MSA Files, Lot W 745

Subject and country files of the Office of the Assistant Administrator for Program of the Economic Cooperation Administration and the Mutual Security Agency for the years 1948–1953. These files were retired by the FOA and are a part of Federal Records Center Accession No. 55 A 374. (9 ft.)

ECA-MSA-FOA Files, Lot W 13

Office files of the Executive Secretariat maintained for the use of the Director of the Economic Cooperation Administration, the Mutual Security Agency, and the Foreign Operations Administration, for the years 1948–1954. These files

were retired by the FOA and are a part of Federal Records Center Accession No. 55 A 374. (13 ft.)

EUR Files, Lot 59 D 233

Files of the Office of the Assistant Secretary of State for European Affairs for the years 1945–1957. (6 ft.)

G/PM Files, Lot 68 D 349

Subject files maintained by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs for the years 1950–1967. (7 ft.)

INR Files

Files retained by the Bureau of Intelligence and Research of the Department of State.

Italian Desk Files, Lot 58 D 357

Subject files of the Italian desk for the years 1950–1955, as maintained by the Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs. (5½ ft.)

Lisbon Embassy Files, Lot 59 F 53

Top secret files of the Embassy in Portugal for the years 1946–1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

Lisbon Embassy Files, Lot 64 F 17

Top secret files of the Embassy in Portugal for the years 1953–1955, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

Luce Files, Lot 64 F 26

Records of Clare Boothe Luce as Ambassador in Italy, 1953–1956, as maintained by the Embassy in Italy. (4 ft.)

Madrid Embassy Files, Lot 58 F 57

Top secret files of the Embassy in Spain for the years 1947–1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

MSA Files, Lot W 3127

Files of the Office of the Deputy Director for Congressional Relations of the Mutual Security Agency for the years 1953–1954. These files, presently administered by AID, were retired by the ICA and are a part of Federal Records Center Accession No. 57 A 709. (1 ft.)

MSA Telegram Files, Lot W 130

Serial telegram files of incoming MSA cables for the year 1952, as maintained by the Administrative Services Division of the MSA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 54 A 298. (10 ft.)

MSA Telegram Files, Lot W 131

Serial telegram files of outgoing MSA cables for the year 1952, as maintained by the Administrative Services Division of the MSA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 54 A 298. (13 ft.)

MSA-FOA Telegram Files, Lot W 130

Serial telegram files of incoming MSA and FOA cables for the period January 1953–June 1954, as maintained by the Administrative Services Division of the MSA and FOA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 55 A 374. (15 ft.)

MSA-FOA Telegram Files, Lot W 131

Serial telgram files of outgoing MSA and FOA cables for the period January 1953–June 1954, as maintained by the Administrative Services Division of the MSA and FOA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 55 A 378. (15 ft.)

NAC Files, Lot 60 F 137

Master file of documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945–1958 as maintained by the Bureau of Economic Affairs of the Department of State. (15 ft.)

OCB Files, Lot 62 D 430

Master files of the Operations Coordinating Board for the years 1953–1960, as maintained by the Executive Secretariat of the Department of State. (17 ft.)

OEEC Files, Lot 56 D 217

Master file of documents from the Organization for European Economic Cooperation for the years 1948–1957 as consolidated by the Records Management Division of the Department of State. (99 ft.)

ON Files, Lot 60 D 641

Collection of memoranda of the Press Conferences of the Secretary of State (1935–1955), Department of State Radio (Wireless) Bulletins (1935–1946), News Digests (1945–1952), and other unclassified press materials for the years 1906–1954, as maintained by the Office of News, Bureau of Public Affairs. (34 ft.)

Oslo Embassy Files, Lot 61 F 15

Top secret files of the Embassy in Norway for the years 1945–1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

PPS Files, Lot 64 D 563

Master file of documents, drafts, records of meetings, memoranda, and related correspondence of the Policy Planning Staff for the years 1947–1953. (42 ft.)

PPS Files, Lot 65 D 101

Master file of documents, drafts, records of meetings, memoranda, and related correspondence of the Policy Planning Staff for the year 1954. (8 ft.)

Presidential Correspondence, Lot 66 D 204

Exchanges of correspondence between the President and the heads of foreign governments for the years 1953–1964, as maintained by the Executive Secretariat of the Department of State. (9 ft.)

PSB Files, Lot 62 D 333

Master file of minutes and papers of the Psychological Strategy Board for the years 1951–1953, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

RA Files, Lot 58 D 374

Office files of the Economic Organization Affairs Section of the Office of European Regional Affairs for the years 1950–1956. (5 ft.)

Rome Embassy Files, Lot 59 F 222

Classified subject files of the Embassy in Italy for the years 1950–1952, which are a part of Federal Records Center Accession No. 59 A 543. (19 ft.)

Rome Embassy Files, Lot 63 F 62

Classified subject files of the Embassy in Italy for the years 1953–1955, which are a part of Federal Records Center Accession No. 64 A 196. (1 ft.)

S/AE Files, Lot 68 D 358

Files relating to atomic energy policy matters for the years 1950–1967, maintained initially by the Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs and later by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs. (2 ft.)

S/ISA Files, Lots 52–19, 52–24, 52–26, 52–40, and 52–51

Files of the Office of the Director, International Security Affairs, Department of State, containing material for the years 1949–1951. These lot files, all of which are included in FRC Acc. No. 62 A 613, include documentation on the operations of the Office of International Security Affairs (S/ISA) and the interdepartmental International Security Affairs Committee (ISAC) during 1950–1951; material on program development and implementation of the Mutual Defense Assistance Program for 1949–1951; and documentation on planning directed toward the establishment of the Mutual Security Program for 1951. The material includes subject and chronological files, and records of various departmental and interdepartmental committees concerned with military assistance and foreign aid during the years 1949–1951. (128 ft.)

S/P–NSC Files, Lot 62 D 1

Serial and subject master file of National Security Council documents and correspondence for the years 1948–1961, as maintained by the Policy Planning Staff. (43 ft.)

S/S–NSC Files, Lot 63 D 351

Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State. (20 ft.)

S/S–NSC Files, Lot 66 D 148

Miscellaneous files concerning subjects considered by the National Security Council during the period 1949–1962, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

S/S–NSC (Miscellaneous) Files, Lot 66 D 95

Administrative and miscellaneous National Security Council documentation, including NSC Records of Action, as maintained by the Executive Secretariat of the Department of State for the years 1947–1963. (9 ft.)

Secretary's Daily Meetings, Lot 58 D 609

Chronological collection of the records of the Secretary of State's daily meetings with top Department of State officials for the years 1949–1952, as maintained by the Special Assistant to the Secretary of State. (5/12 ft.)

Secretary's Letters, Lot 56 D 459

Correspondence of the Secretary of State for the years 1945–1956, as maintained by the Executive Secretariat. (3⅓ ft.)

Secretary's Memoranda, Lot 53 D 444

Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversation, and memoranda of conversation with the President for the years 1947–1953, as maintained by the Executive Secretariat of the Department of State. (15 ft.)

Secretary's Memoranda of Conversation, Lot 64 D 199

Chronological collections of the Secretary of State's memoranda of conversation and the Under Secretary of State's memoranda of conversation for the years 1953–1960, as maintained by the Executive Secretariat of the Department of State. (7 ft.)

Secretary's Memoranda of Conversation, Lot 65 D 238

Chronological collections of the Secretary of State's memoranda of conversation with the President for the years 1949–1952, memoranda of the Secretary of State and Under Secretary of State for the years 1951–1952, and the Secretary of State's memoranda of conversation with Senator Tom Connally of Texas for the years 1950–1951, as maintained by the Executive Secretariat. (1 ft.)

Secretary's Staff Meetings, Lot 63 D 75

Chronological collections of the minutes of the Secretary of State's staff meetings during the years 1952–1960, as maintained by the Executive Secretariat of the Department of State. (4 ft.)

Spanish Desk Files, Lot 59 D 108

Working files of the Spanish and Portuguese desks for the years 1950–1958 as maintained in the Division of French-Iberian Affairs, Office of Western European Affairs. (3 ft.)

State–JCS Meetings, Lot 61 D 417

Top secret records of meetings between representatives of the Department of State and the Joint Chiefs of Staff for the years 1951–1959 and selected problem files on the Middle East for the period 1954–1956, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

Stockholm Embassy Files, Lot 56 F 57

Top secret correspondence files of the Embassy in Sweden for the years 1943–1953, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

U/MSA Files, Lot 56 D 551

Files of the Office of the Special Assistant for Mutual Security Affairs for the years 1954–1956. (2 ft.)

U/MSA Files, Lot 59 D 355

Files of the Office of the Special Assistant for Mutual Security Affairs relating to the Mutual Assistance and Mutual Security programs for fiscal years 1952–1956. (2 ft.)

U/MSC Files, Lot 59 D 449

Files of the Office of the Special Assistant for Mutual Security Affairs relating to the Mutual Assistance Program for Europe for fiscal years 1952–1956. (1 ft.)

Under Secretary's Meetings, Lot 53 D 250

Master file of records of meetings, documents, summaries, and agenda of the Under Secretary's meetings for the years 1949–1952, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

Eisenhower Library, Abilene, Kansas

Dwight D. Eisenhower Papers

Papers of Dwight D. Eisenhower as President of the United States for the years 1953–1961. This collection, which was maintained by Ann Whitman and has subsequently been called the "Whitman File" has several major parts, including the National Security Council file, the International Meetings file, and the International file.

Dwight D. Eisenhower Records

The daily appointment books of President Eisenhower for the years 1953–1961.

James C. Hagerty Papers

Papers of James C. Hagerty, Press Secretary to the President, for the year 1953–1961.

C.D. Jackson Papers

Papers of C.D. Jackson, Special Assistant to the President for International Affairs for the years 1953–1954.

Princeton University, Princeton, New Jersey

Dulles Papers, Dulles' Appointment Book

Daily log of Secretary of State Dulles' meetings and appointments for the years 1953–1959.

Truman Library

David E. Bell Files

Files of David E. Bell, Administrative Assistant to the President, for the years 1951–1953.

David D. Lloyd Papers

Papers of David D. Lloyd, Administrative Assistant to the President, for the years 1951–1953.

Charles S. Murphy Files

Files of Charles S. Murphy, Special Counsel to the President, for the years 1950–1953.

Myron C. Taylor Papers

Papers of Myron C. Taylor, Personal Representative of the President to the Vatican, for the years 1938–1952.

FRANCE

UNITED STATES INTEREST IN DEVELOPMENTS RELATING TO THE FRENCH DEFENSE PROGRAM AND THE POLITICAL AND ECONOMIC STABILITY OF FRANCE: [1] UNITED STATES ECONOMIC ASSISTANCE TO THE FRENCH REARMAMENT AND DEFENSE PROGRAM; VISIT TO WASHINGTON OF PRIME MINISTER RENÉ MAYER, MARCH 26–28, 1953; VISIT TO WASHINGTON OF PRIME MINISTER PIERRE MENDÈS-FRANCE, NOVEMBER 17–20, 1954

No. 492

Editorial Note

Documentation concerning the role of France in the various European political, military, and economic organizations is not included here. For documentation on the French relationship to the North Atlantic Treaty Organization and French policy toward the establishment of a European Defense Community see volume V, pages 1 ff. and 571 ff. For documentation regarding the French position in the negotiations concerning a European Political Community and French policy toward the European Coal and Steel Community and the Organization for European Economic Cooperation, see pages 1 ff. For documentation concerning French policy toward Germany and Austria, see volume VII. For documentation relating to French North Africa, see volume XI, Part 1, pages 127 ff. For extensive documentation regarding the French position in Indochina, see volume XIII.

[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 291 ff.

No. 493

Editorial Note

On Monday, January 7, 1952, French Prime Minister René Pleven lost the first of a series of eight votes of confidence in the French National Assembly during the Assembly's discussion of enabling provisions for reductions in the railroad and social security budgets. After a vote of 341 to 243 against his government, Pleven tendered his resignation to French President Vincent Auriol there-

by precipitating a political crisis which the Embassy in Paris predicted would be a "long one." Descriptions of the votes and Pleven's resignation were transmitted to the Department of State in telegrams 4018 and 4054 from Paris, January 5 and 7, respectively. (751.13/1-552 and 751.00/1-752)

On January 18, Edgar Faure became the new French Prime Minister after he received an ample margin of votes during his investiture debate in the National Assembly. A brief biography of Faure was transmitted to the Department of State in telegram 4294 from Paris, January 19 (751.13/1-1952); a description of his new Cabinet, which was approved on January 22, was contained in telegram 4317 from Paris, January 21. (751.21/1-2152) Robert Schuman remained at his post of Foreign Minister while Henri Queuille and Georges Bidault continued as Vice Premiers with Bidault also serving as Minister of National Defense.

No. 494

751.5/1-2552: Telegram

The Ambassador in France (Bruce) to the Department of State

TOP SECRET PRIORITY PARIS, January 25, 1952—2 p. m.

4437. Eyes only for the Secretary and Harriman. No distribution except as directed by Secretary. On several occasions this week both Bidault and Bourges-Maunoury have spoken to me about the impossibility of their making adequate defense contribution to NATO [1] while continuing effort IC on present scale within limitations of 1190 billion franc budget in 1952. This has been as you know the contention of Fr Defense Ministry for months and led to bitter inter-Cabinet dispute between Bidault and Rene Mayer.

Bidault remains Defense Minister and Mayer is no longer in Cabinet.

Fr services are now completing a balanced military program based on acceptance by Fr of TCC financial recommendation for 1190 billion franc budget in 1952. Results are not yet definite but Bidault this morning authorized Clermont Tonnerre to inform me that as presently estimated consequences will probably be a reduction of number of divisions from 14 to 7 with no increase in subse-

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[1] The question of defense contributions by the member states of NATO was under serious examination by the Temporary Council Committee (TCC), which was created to study this matter and report to the North Atlantic Council at its meeting in Lisbon in early 1952. For documentation concerning the financial recommendations of the TCC and the discussion concerning these recommendations, see vol. v, Part 1, pp. 203 ff.

quent years; Air Force goal will be 600 front-line planes instead of 180 [*1800?*]; seven Air Force squadrons will be demobilized; military service will probably be reduced from 18 to 12 months; a number of recruits now called up will be sent back; a number of factories working only on military orders will be closed down; and production contracts will be canceled with a payment of 50 billion francs for cancellation indemnities. Indochina operations wld proceed at present level.

This information is available only to very limited number of Fr officials who in turn are authorized to speak only to key members of country team. Bidault's present decision is that this program cannot be discussed in TCC because of danger of publicity and serious effect on morale of Fr forces, and is referring question as to how best to proceed to new Cabinet. Fr TCC reply would presumably only show gap between TCC military and TCC financial recommendation but not details of reductions.

Bidault and other ministers are fully aware of the consequences to NATO of this curtailed program. There is still belief in some quarters that US will somehow find funds to prevent such a disastrous development but realization that such funds just do not exist is widespread. Bidault states that as Defense Minister he will never agree to execute such a limited program but knows that his successor may have to do so.

We have, of course, known for many months that Fr force goals were far too high for their own financial resources combined with scheduled US aid. We have also known that problem was not just squeezing smaller priority items out of military budget. It is regrettable Fr Govt could not force Fr military to agree to work out a program on basis of realistic budget many months ago. Now that they seem to have done so, and have facts before them, they are faced with problem of this magnitude. Its implications for Indochina and European Defense community are obvious.

I do not wish to be over pessimistic and still hope that arrangements can be made so that Fr can at least match one [or?] two division German program and continue in Indochina. If Fr cannot, we are going to have difficulties not yet anticipated.

Considering specifically implication for EDC I do not believe any ratification by Fr Parliament of EDC possible if Fr military program not able to provide number of divisions equal to number to be contributed by Germans.

BRUCE

No. 495

751.5 MSP/1-2552: Telegram

The Secretary of State to the Embassy in France [1]

TOP SECRET
PRIORITY

WASHINGTON, January 28, 1952—8:52 p. m.

4394. For Ambassador and Draper. This a State, DMS and Def message. Sec discussed urtel 4437 Jan 25 [2] with Harriman this morning. Situation also discussed with Def. They found urtel most disturbing and share your concern re disastrous consequences reduced Fr program as outlined for EDC and Lisbon. Believe it is neces urgently to determine whether impact 1190 billion franc budget is in fact as great as indicated by Bidault. While Bidault's views highlight situation we have recognized for some time, we find difficult believe neces Fr must demobilize existing forces and reduce length service, either of which wld have serious if not explosive consequences on our entire Eur policy.

Believe may be possible, after close examination revised Fr program, to develop with Fr an allocation of budgetary resources which wld produce better results than outlined reftel, such as in direction of priorities and economies suggested by McNarney. Consider this most urgent and suggest you call upon all US elements there, including JAMAG and US element SHAPE, to do this job as soon as possible. We are prepared send over anyone you may need from here to assist. It is essential that Fr trim judiciously or stretch out in time these plans, rather than slash in what wld appear to be fashion that jeopardizes not only Fr security but entire NATO concept.

In connection examination Fr program, adequate consideration must be given provision for natl infrastructure and to Fr contribution third and subsequent slices NATO infrastructure, in which Fr have been reluctant to participate on grounds it is not covered by budget based on TCC report (Depto 849, Jan 20, rptd Paris 1500 [3]). Fr have not firmly engaged even to provide land, which wld be an inadequate contribution. Lack of continued and prompt Fr participation to reasonable extent in third slice program will also have serious implications for our NATO program. Believe Fr attitudes

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[1] Drafted by Vass and Beigel and cleared with Parsons, Perkins, Director for Mutual Security Harriman, and Nash of the Department of Defense.

[2] *Supra*.

[3] This telegram reported that the French position in the preliminary talks was that the financial contribution of France recommended in the TCC report was the total French military contribution and that no further contribution to the infrastructure program was necessary. (740.5/1-2052)

on infrastructure needs same kind of examination as budget question.

While no further FY 52 funds are available to help Fr prior to next Jul 1, over and above 600 mil dols already assured to them, we will continue explore your earlier suggestions re programming within 600 mil figure (reurtel 4251 Jan 15 [4] and para 4 Deptel 4244 Jan 22 [5]) and in first half FY 53.

We cannot avoid impression we are being confronted by statement that may have been prepared with view to putting polit and other problems that reduction may involve in most unfavorable light. While we recognize seriousness of problem we are convinced of vital necessity of accomplishing any neces adjustments in such fashion as to do least damage to entire NATO enterprise and particularly to our hopes for EDC and successful Lisbon mtg. If for tactical purposes Bidault program does not recognize these overriding considerations it may well boomerang and jeopardize our ability to continue assistance to Fr at present and projected rate. You may wish convey this thought to Bidault as an expression of your personal views.

ACHESON

[4] This telegram summarized the status of the French Government's consideration of the TCC report and the relationship of U.S. bilateral negotiations with France to action on the TCC report. (751.5 MSP/1-1752)

[5] This telegram requested, in paragraph 4, facts and figures concerning production contracts and information on time-phasing of French expenditures. (751.5 MSP/1-1752)

No. 496

751.5/1-2952: Telegram

The Ambassdor in France (Bruce) to the Department of State

TOP SECRET PRIORITY PARIS, January 29, 1952—9 p. m.

4575. Eyes only for the Secy and Harriman. No distribution except as directed by Secy. Re Deptel 4394, January 28. [1] I certainly agree that US must seek establishment of best priorities possible within Fr mil expenditures. Some shifts within the broad breakdown contained mytel 4437 Jan 25 [2] have already been made but the situation remains basically the same. As I emphasized to you in mytel, reductions outlined were first results of Fr effort to program within 1190 billion franc ceiling on 1952 mil budget. In any case I

[1] *Supra.*

[2] Document 494.

expect to receive a definite statement from Bidault on Thursday of this week and also understand that Bidault may wish to present the situation personally to Gen Eisenhower and to me on that day.

Draper and I will discuss how US elements here might review Fr statement on bilateral basis with Fr to establish best priorities. At present, however, I agree with Fr that knowledge of this situation should be limited to a very restricted group. I feel that until we have received definite statement from Bidault and gone over situation with him and perhaps other Fr Cab members, it would be difficult to suggest any particular course of action.

It is possible that Fr have overstated drastic changes that have to be made. However, I would like to point out that we have always been aware that consequences of having to impress Fr mil program within 1190 billion franc budget for 1952 would be very serious. Once you carve out of the 1190 billion franc figure the fixed and therefore irreducible expenditures which French defense establishment must support including 440 billion francs for Indochina and DOTS and perhaps as much as 350 billion francs for other fixed expenditures such as internal security forces, maintenance of existing installations and pensions, amount left to finance build up of French forces in Eur according to NATO plans is only about 400 billion francs. This figure should be compared with roughly 850 to 900 billion francs which would appear to be required on basis of French costing of TCC/SCS force recommendations recently submitted to country team. Conclusion is obvious that tremendous gap will exist even if we recognize that recent French costing is on high side.

On other hand, worst consequences of situation might be avoided if it were possible to accept suggestions made by Labouisse and myself in mytel 3606 Dec 17. [3] French might agree to increase the roughly 400 bil francs available within the 1190 bil franc budget for buildup in Europe by at least 80 bil francs or an increase of 20 percent in their Eur program. Such percentage increase would make important change in amount of cutbacks French may be called upon to make in their present plans for buildup in Europe.

The necessity to include substantial revision in mil plans for infrastructure of course complicates this situation seriously, and it is difficult to expect that French will cooperate if demobilization measures and cutbacks in production are necessary for them.

I have been thinking about probable French policy with respect to Eur army when faced with drastic curtailment of mil program along lines outlined to you in mytel 4437 Jan. 25. French are becoming increasingly concerned that US will follow a policy of rely-

[3] For text, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 455.

ing upon a buildup of Ger forces in Eur to replace French forces continuing burden in Indochina. As a result they can be expected to become more active in pressing for a definite agreement with the Gers providing that there must be broad equality between French and Gers inside the Eur def community. They probably will insist (1) that the 1954 objectives in forces to be agreed upon at Lisbon be substantially same for both countries and that these goals be written into the EDC treaty, and (2) that there be arrangements within EDC common budget making it obligatory for EDC exec to carry out a buildup program for contingents from both countries on progressive basis which would maintain this essential equality. There is, of course, no immediate problem because French have a head start on the Gers, but this situation could quickly become reversed if NAT programs undertaken in 1952 called for a smaller number of contingents of French origin than number of Ger origin in 1954. The French may simply say that they accept the TCC financial and force recommendations and accept to carry the burden of operations in Indochina but that we must help enough to make it possible for them to maintain equality with Ger in Eur if they are to go ahead with arrangements for Ger defense contribution.

In the present situation French may also yield to Ger pressure to include both Indochina expenditures and support costs for US and UK forces in Ger within EDC common budget. Such an arrangement would begin an internationalization of the Indochinese problem and would strengthen French position of insisting that European community be based upon equality between Ger and France.

It is also possible that French will seek tighter guarantee by insisting that forces of Ger nationality cannot be more than 1/5 of NATO forces in Europe.

BRUCE

No. 497

State–JCS Meetings, lot 61 D 417, No. 39

Record of the Department of State–Joint Chiefs of Staff Meeting, Wednesday, February 6, 1952, 11:30 a.m. [1]

TOP SECRET

Present:	General Bradley	Mr. Matthews
	Admiral Fechteler	Mr. Nitze

[1] On a cover sheet attached to the source text it was noted that this record was a Department of State draft which had not been cleared with any of the participants.

General Vandenberg	Mr. Perkins
General Hull	Mr. Bohlen
Admiral Fife	Mr. Ferguson
General Cabell	Mr. Tufts
Admiral Wooldridge	Mr. Nash
Admiral Lalor	
General Lee	
Colonel Carnes	
General Bolte	

[Here follows a discussion of matters relating to Korea.]

France

Mr. Matthews: We would like to discuss with you the French financial and economic problems. As you know, the French face a serious budgetary problem in meeting their NATO program.

General Bradley: I take it from several recent messages that the situation is not as bad as we first thought. We heard at first that the French were going to cut back to eight divisions whereas the latest word is that they will be able to finance twelve. Is that right?

Mr. Nitze: Our studies indicate the French could not maintain twelve divisions. This is a real and a serious problem; even making allowances for errors by the French in their calculations it is still a problem that amounts to about $1 billion. That is the amount they are short if they are to build up the forces recommended by the TCC. This problem relates not only to the French build-up but also to the conclusion of the EDF Treaty, to the German problem, and to Indochina as well. We think that the inability of the French to finance their planned build-up is an important factor inhibiting the conclusion of arrangements by which German rearmament can be initiated. If we shoot for the 14 divisions recommended by the TCC, there is a problem the dimensions of which are from 300 to 400 billion francs—not making allowance for an adequate infrastructure program. We should face up to the consequences of failure to meet this problem. The consequences of doing nothing might be a collapse on all fronts. We would not get the build-up in France, we would not get an EDC Treaty, and we would not get a satisfactory performance in Indochina.

As to what can be done about the problem, we might revise the targets for 1952. We believe that the French now have 11 divisions in some shape. We might just build those divisions up to full strength this year and carry out the air force and navy programs. That might be a manageable program. It would probably require, however, the financing of some procurement in France—including

some contracts that have already been let and some contracts for materiel which does not conform to U.S. specifications although it has been approved by NATO.

Mr. Nash: As you probably know, the President yesterday approved the transfer of $478,000,000 to economic aid from the military program. $100,000,000 of this will be allocated to France. The President also noted that $30,000,000 more would be used for end-item shipments to Indochina which would relieve France of an equivalent burden. This decision raised difficult problems for the JCS who will have to decide how the cut of $478 million can be spread over other programs and where the $30 million can be picked up. For example, can the Formosa program be reduced on the ground that the Indochinese campaign is of more immediate importance?

General Bradley: I agree that we cannot accept the consequences of doing nothing, but it is pretty discouraging to face this situation when one remembers what we have done to build up French production capacity. One wonders whether this is going to happen every year and whether there is anything we can do about it to keep it from arising next year and the year after. It seems to me we have got to find some way to stop it. If we are going to do it this time shouldn't we step in and demand changes in France so that the problem will not arise year after year? The French Government is set up in such a way that it is almost bound to recur. The government was set up in this way in 1870 and has been like this ever since.

Mr. Perkins: I think we might recognize that the gap is exactly the size of the Indochinese problem. The French would be all right if it were not for Indochina.

General Bradley: But that is their fault too. If they had applied wise policies three or four years ago they would not be in this spot today. The local Vietnamese forces are not building up as fast as the unfriendly forces. DeLattre was going to reform the situation but I doubt if his program is being continued for France is now a little more confident.

Mr. Matthews: Have they made any progress in building up the Vietnamese forces?

General Hull: They have in absolute terms but not in comparison with the enemy. They have not done anything to assure the Vietnamese that the French are not going to stay indefinitely. If they would do that, they could get more support from the Vietnamese. The Indochinese thing looks hopeless to me. It looks as though it could go on indefinitely.

Mr. Matthews: I have the impression that they have gone as far as they can in giving independence to the Vietnamese at this time.

General Hull: Of course, we told the Philippines years ahead that we were going to give them independence.

General Vandenberg: Really, the only solution to all these peripheral problems is a strong warning. Indochina is draining France. Korea is draining the U.S., and Egypt is draining the U.K., and the whole NATO concept is being drained by these peripheral areas. We are not going to have a solution to this thing until we issue a strong warning.

General Hull: It is amazing how much military effort is concentrated in these fringe areas.

General Vandenberg: The lead in this thing has got to come from the State Department if we are going to change the attitude of our allies on this problem.

Mr. Matthews: That is easier said than done.

General Vandenberg: But the U.S. is going to have to do the job of rearming the world anyway.

General Bradley: Do you have any suggestions for a solution of the French problem, Mr. Nitze?

Mr. Nitze: We have got to deal with the situation as it exists. We cannot undo the mistakes of the past. The French budget is about as large as it can be. I don't think the French can plan to do much more than they are doing. We have already taken account of possible increased tax receipts by saying that it is only a $1 billion problem. Our end-item assistance program is based, as I understand it, on 28 divisions for 1954 and 14 divisions for 1952. It would be inconsistent to proceed with these end-item programs if the French are not actually going to meet their force targets. It seems to us that it might be wise to accept a more modest target for 1952 and to make corresponding reductions in the end-item programs, using the funds thus freed for procurement in France. Another possibility would be to pick up some of the costs of the Indochinese war. That, however, would require Congressional action whereas procurement in France would not require Congressional action.

Mr. Nash: I think we could do the Indochinese financing without an amendment of the legislation if that was necessary. We could, for example, transfer some funds from Formosa to Indochina. Furthermore, we have authority to transfer up to 10% in the other titles to title 3. In that way we could obtain sufficient funds for Indochina. Secretary Lovett would rather do it that way, I believe. We recognize the importance of holding Southeast Asia and furthermore we do not want to pick up the bill for French procurement. It seems to us in Defense that a disproportionate amount of assistance is going to Formosa in light of the relative importance of Formosa and Indochina.

Mr. Perkins: Assume that we wanted to do it in that way. Would it be possible to use funds thus obtained—are there enough things to spend the money for?

Mr. Nash: I don't know the answer to that question. The matter is being studied in Paris right now.

General Bradley: What can we do for you?

Mr. Nitze: We wanted guidance from you. We have been operating under the assumption that it is important to get ahead on the infrastructure. We have also been assuming that it would not be too serious to cut down from 14 divisions to 11 divisions in 1952.

General Bradley: Is there anything we can do until the MAAG report is available?

Mr. Perkins: Not much. We may, however, have to take important decisions next week if we are to get anything done at Lisbon.

Mr. Nash: Failure in France has a double effect. It affects the French build-up and it prevents the initiation of German rearmament, and that is crucial. So in considering this problem, we have to consider the 12 German divisions. If we can cut the French back to 12 divisions and thereby get a start on Germany, that would be all to the good. I think that what we need is a little competition between France and Germany. Secretary Lovett does not think the French economy will support more than 10 divisions on a long-term basis. Germany is a better keystone for our arch than France and the thing that will snap the French out of their morass is to see Germany building up.

Mr. Nitze: I do not think that it would be effective to attempt to get a commitment out of France on cleaning up its internal political situation. What we want from the French, I think, as Frank Nash has suggested, is the conclusion of the EDC and a start on German rearmanent. If we could get that going that would be the best way to bring pressure on France to clean up its internal situation. But to obtain the EDC and the initiation of German rearmanment the U.S. will have to take radical measures. It will probably take $500–$600 million more even to get 11 divisions in France. The value however in terms of our own security is enormous.

General Bradley: There is nothing we can do about this right now, is there?

Mr. Nash: If we can get agreement on what we are after, that would be a big help. There is also the problem of the security restrictions on Germany. I do not think we should restrict their production.

General Bradley: I agree with that. As regards the 12 German divisions, we should get just as many as we can. They will probably be cracker jack divisions and they are located where we need them. If the MAAG study shows that France can only build up 12 divi-

sions, we will have to go along with that, of course. I think we will have to cut the air force and navy programs also for this is a budgetary problem and there would have to be cuts all along the line.

Mr. Nitze: But even to finance 11 French divisions and to get the necessary start on the infrastructure, we will have to be prepared to make $500–$600 million more available.

Mr. Nash: I don't think the JCS can help us on that but it can help on the question of the relative importance of Indochina and Formosa.

General Bradley: Are you sending us a memorandum on that?

Mr. Nash: Yes, we are.

Mr. Perkins: We may also have to transfer funds from U.S. end-items to procurement in France.

General Bradley: I suppose that means buying stuff that is already on order there?

Mr. Perkins: Not necessarily. We might be able to use our funds for new contracts.

General Bradley: This is not really a JCS problem.

Mr. Nash: It may become one, especially if it involves transfers between countries in order to get the necessary funds.

[Here follows a discussion of the Japanese Peace Treaty.]

No. 498

751.5 MSP/2-1152

Memorandum by the Deputy Director of the Policy Planning Staff (Ferguson) to the Secretary of State [1]

TOP SECRET WASHINGTON, February 11, 1952.

Subject: French financial position and its relation to London Tripartite talks. [2]

1. Order of magnitude of French financial problem.

There is not available sufficient statistical data to give precision to the French need for financial assistance in calendar year 1952

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[1] At the Secretary's daily meeting on Feb. 8, most of the discussion was devoted to the French budgetary problem. It was concluded that the Secretary must be in a position to know how far he could go on the question of assistance to the French on Indochina before he left for London and Lisbon in several days where this subject would be discussed. Nitze stated that he would try to have something by Monday, Feb. 11; presumably this memorandum was drafted for this purpose. (Secretary's Daily Meetings, lot 58 D 609, "February 1952") Nitze also drafted a brief outline listing the considerations bearing on the question of assistance to France; this outline, dated Feb. 8, is in PPS files, lot 64 D 563, "France".

[2] Concerning these talks in London, see Document 505.

and the first six months of calendar year 1953. It is doubtful whether such statistical information can be assembled and far more probable that rough estimates will have to be relied upon.

First six months of calendar year 1952.

Financial aid of $600,000,000 already promised to France for the period ending June 1952 has not been forthcoming at the anticipated rate. The existing methods by which this aid is being given to the French will probably result in only $400,000,000 of assistance by the end of June. To meet this gap it is possible, by scraping the bottom of the barrel of Title I funds and utilizing the remaining transfer authority, to give the French about $150,000,000, which ought to meet the French dollar balance of payment problem and provide counterpart funds which would give budgetary assistance. To cover the remaining $50,000,000 of the present aid commitment it may be possible to deliver end items to Indochina in substitution for end items produced in France and it may be possible to accelerate other existing channels of assistance slightly.

In short, provided the necessary decisions are taken by Mr. Harriman (probably after consultation with Mr. Lovett) we should be able to fulfill our commitment to the French during the remainder of our fiscal year 1952.

Second six months of calendar year 1952 and the first six months of calendar year 1953.

Rough estimates indicate that the French needs for financial assistance in the second half of calendar year 1952, over and above end item assistance, will range from $300,000,000 to $500,000,000. Aid of comparable magnitude will probably also be required by the French in the first six months of calendar year 1953.

The ability of the United States to provide assistance within the range of $600,000,000 to $1,000,000,000 will depend upon the program approved by the Congress this spring. It is estimated that if the provision authorizing the transferability of 10% of the funds is not altered and the Congress approves, without serious cuts, the amount of $1,400,000,000 to be requested for economic aid and $1,000,000,000 to be requested for offshore procurement, the necessary assistance can be provided to the French. If aid of this magnitude is given to the French, however, it will be extremely difficult to meet any other emergency needs that may arise during our fiscal year 1953.

2. Methods of making assistance available to France after June 30, 1952.

Since no presentation has yet been made to the Congress in connection with the 1953 aid program, it is possible to select the most appropriate basis for the possibility of aid to France and try to

secure Congressional approval. A number of methods have been suggested, all of which raise difficulties, so that this matter requires the urgent decision of Mr. Harriman and Mr. Lovett in consultation with you.

The estimated cost of training, equipping, housing and providing facilities for increased Associated States forces over the next two years is approximately $400,000,000 a year. All but a small part of this amount represents expenditures in local currency in Indochina. It is argued that it would be easier to secure Congressional approval to finance the training and equipping of these forces than for any direct assistance to France in connection with offshore procurement. The difficulty of substantially increasing offshore procurement rapidly is that it would involve taking over many existing French contracts, and the Defense Establishment has maintained that to do so would be contrary to their regulations and would result in the financing of contracts with French businessmen on more favorable terms than can be given to American businessmen. While it is expected that an item of $1,000,000,000 for offshore procurement would be included in the request for the 1953 program, it is not anticipated by the Defense Establishment that these funds would be used to pick up any existing contracts and therefore the benefit to France of such procurement would not be rapidly evident.

If the aid to the French is in the form of the assumption of American financial responsibility for the creation of additional Associated States forces, and this aid is made directly available to Indochina by the purchase of local currencies, the United States would take on very large responsibilities for the effectiveness of these forces and the success of the program. Even if some method were devised of channeling the aid directly to France, and leaving to the French the responsibility for making available local funds in Indochina, there would still be an implicit United States involvement in the success of the Indochinese program. One additional difficulty is that there presently exists an artificial rate of exchange between the franc and the Indochinese piastre, a rate which overvalues the piastre by two to three times. Part of this artificial overvaluation is of course washed out as profits are transferred to France and taxed there and part of it is washed out, so far as the French budget is concerned, as a result of imports from France to Indochina. Nevertheless, it is possible that the French budgetary problem could be improved by the establishment of a more realistic rate between the franc and the piastre, and it might be necessary to have an alteration of the rate to avoid problems with the Congress.

3. Relation of United States assistance to French decisions on EDC, contractual relations, etc.

In conversations with Schuman the French financial problem will undoubtedly play an important part, and our ability to provide economic aid should help to secure French agreement on the political problems to be discussed. In a sense the amount of aid is more a question of the bargain that will satisfy the French than one derived from actual French requirements, but it is likely that the two will not be far apart and will be in the neighborhood of $500,000,000 for the second half of calendar year 1952 and an equal amount for the first half of calendar year 1953. While the French difficulties are certainly increased by their financial problem there are many other factors which enter into the French position on the EDC and German contractual relations. The French recognize the strain that is imposed upon them by trying to maintain sizeable forces in France and carrying on the Indochinese war and they are concerned about their inability to achieve a balance with Germany's military capability. If additional United States aid and the danger of destroying the whole NATO program which would result from the failure to secure an EDC and a settlement with Germany can bring the French around on these European political matters it will be a considerable achievement. It does not seem very probable that it will be possible to get very far in London with the question of action against China or other matters not directly related to the European scene. While we should press for the maximum amount of agreement with the French on policies within and outside Europe, excessive pressure might weaken the chance of securing the most necessary political decisions—those relating to Germany.

4. Further work to be done.

A working group has been established with representatives from MSA, State, Treasury, and Defense to look more closely into the size of the French financial needs and the methods of making assistance available. It is hoped that this working group can gather material quickly which can be sent to you in London by the weekend. [3]

It seems clear that it will be necessary for you, Mr. Lovett and Mr. Harriman to meet in London if the question of aid to France is to be dealt with in the Tripartite talks since the decisions required cannot be made by the State Department.

JOHN H. FERGUSON

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[3] Numerous staff level meetings between representatives of the Departments of State, Treasury, and Defense, and the Mutual Security Agency took place during the following 2 weeks; documentation concerning these meetings is in file 751.5 MSP.

No. 499

751.5 MSP/2-1252: Telegram

The Ambassador in France (Bruce) to the Department of State [1]

TOP SECRET NIACT PARIS, February 12, 1952—1 a.m.

4924. Attn Lincoln Gordon. Ref Deptel 4719 Feb 9. [2]

1. Re third para reftel, country team has today recd from Fr data showing possible scope and nature of a 1952 mil program based on 1400 bil franc expenditure program. We are informed that this program has since recd the approval of Min Bidault and may be considered as an official submission. This info being analyzed and will be forwarded to you in separate tel. [3] Purpose present message is to comment on second para reftel and to set forth our views on action needed to arrive at some conclusion as rapidly as possible. For purposes this tel, therefore, we are accepting that mil program on basis of 1400 bil francs will prove viable and balanced within itself, and politically acceptable in relation to Ger contribution and continued support Indo-China operations. We doubt whether these objectives cld be obtained if budget were at a lower level.

2. Under suggestion in Embtel 4884, [4] Fr wld have to contribute 1225 bil francs from their own resources if 1400 bil francs in expenditures are to be achieved. This wld represent an important increase over TCC financial recommendation. It wld obviously be very difficult for Fr cab to undertake budget at this level in view of price inflation in France and crisis in external payments. However, French need for imports, their desire to have adequate NATO def program, and prospective political repercussions of spectacular cutbacks in Fr effort, might compel France to agree if US can give firm commitment that $600 mil will be so rearranged as to provide

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[1] In telegram 4930 from Paris, Feb. 12, Bruce urgently requested that the Department of State make sure that Secretaries Acheson and Lovett, Tyler Wood, and Lincoln Gordon see this message and telegram 4925 (*infra*) promptly that morning so they could discuss it before Acheson departed for London. (751.5 MSP/2-1252) Telegrams 4924 and 4925 from Paris had both been received in the Department of State during the night of Feb. 11.

[2] This telegram requested information concerning the breakdown of how appropriations for Indochina would be spent and what the composition of the French procurement program was, as well as the Embassy's analysis of the size of the forces that could be maintained on a budget of 1400 billion francs. (751.5 MSP/2-852)

[3] *Infra.*

[4] This telegram recommended that the United States contribute 175 billion francs in budgetary assistance ($500 million) out of the fiscal year 1952 funds. To this the French would add 1225 billion francs from their own resources, giving a total defense budget of 1440 billion francs. (751.5 MSP/2-852)

an additl $200 mil [5] to be applied against 1400 billion franc program for calendar 52 and can indicate intentions to ask Congress for equivalent of $500 mil out of FY 53 appropriation for assistance through direct aid and offshore procurement as outlined in para 5 of Embtel 4884.

3. Suggestion made in para 2 (d) Embtel 4884 Feb 8, was based on fact that, in absence additl economic aid beyond and $300 mil already in sight for FY 52, surest way of mtg US assurance of $600 mil and at same time providing equip required for 1400 bil franc mil program, is to help French place new orders (largely for IC) from Fr production. For example, if we shld undertake to increase the total end-item assistance from US to Indochina, in substitution for Fr budgetary expenditures on Fr production for IC (which, from second para reftel, we understand you have under consideration), such a step wld not help meet the $600 mil assurance. On the other hand, if we spend dols in France for mil equip for IC or Metropole, such action both helps meet France's dol needs and assists her mil program.

4. Even if the $600 mil assurance can in fact be met by other means, any substantial substitution of US end-items does not seem feasible for fol reasons:

(a) French mil authorities have always been extremely reluctant to put too much IC mil effort, either fin or physical terms, under end-item procedures with consequent delays which jeopardize their troops in IC. Thus we feel sure we wld encounter serious difficulties in persuading Fr admin to accept your proposal. See Tomus 67. [6]

(b) If we undertake to increase end-item assistance in substitution for Fr production, the effect will be to decrease total Fr mil production. This will be a serious danger for future as it wld mean a sharp reduction in Fr arms production which it has been US policy to encourage.

5. It is important to emphasize that the type procurement suggested in para 2 (d) of reftel will necessitate changes in US proc procedures. A great many indiv items will be involved and the urgency of time wld not permit the negot of a long series of indiv contracts. Arrangements wld doubtless have to be made whereby the US Govt wld reach a broad agreement with Fr and for the Fr Govt to purchase agreed list of items. Fr Govt wld procure items in usual way and without delay. Dol payments to Fr might be acceler-

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[5] In order to avoid any misunderstanding, Bruce sent telegram 4931 from Paris, Feb. 12, to explain that the additional $200 million mentioned here and in paragraph 8 means a rearrangement of expenditures within the $600 million figure and not an additional sum. (751.5 MSP/2-1252)

[6] Not printed. (MSA telegram files, lot W-130, "Paris Tomus")

ated by use of Eximbank. Other OSP, of the normal type heretofore under consideration, cld continue to extent desirable.

6. With respect your request (second para reftel) for further info on IC appropriations and composition proc program, shld like point out that considerable amount of detailed info on IC mil program along lines has been transmitted to Wash during past 2 months:

(a) In Toeca/Torep D–1224, Dec 10, [7] we transmitted Fr proc program for 52 both for Fr forces in IC and for natl armies of Assoc States. Are requesting Fr for any subsequent revisions these figures. However, we are reasonably certain that any such revisions will not appreciably alter data as to magnitudes of program or types of items.

(b) In Toeca/Torep D–1239, Dec 18,[7] we transmitted Fr proposals for US financing of $130 mil of IC proc.

(c) In Tomus A–12, Jan 9,[8] we gave you our tentative estimate of 52 budget breakdown for IC including estimates for air and naval forces in metropolitan budget not yet voted for full year. Fr are being requested to verify this breakdown.

(d) We are sending you today copies of IC budget as voted on Jan 3. Altho certain revisions will be forthcoming on above date, believe enough info available to you to take decisions in principle. However, MAAG with Fr is preparing list of items to be procured here which conform to JCS criteria and will cable soonest.

7. We urge that every effort be made overcome policy and administrative difficulties standing in way of course of action proposed para 2 Embtel 4884. On a realistic view of sitn it does not appear to us that Fr cab can increase def expenditures to level required to meet 1400 bil franc program unless US undertakes to provide at least 70 bil francs of additl fin resources in FY 52 and to seek Congressional approval for FY 53 aid as outlined in para 2 above. Additl transfer of econ aid may be possible and offshore proc as proposed in para 5 above cld be reduced to this extent.

8. This message concurred in by Harriman, Draper, Pauley, Labouisse and Richards. They see no other way to meet all aspects of existing crisis than to provide additl $200 mil from FY 52 funds.

BRUCE

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[7] Not printed. (ECA airgram files, lot W–140, "Paris Toeca")

[8] Not printed. (MSA airgram files, lot W–140, "Paris Tomus")

No. 500

751.5 MSP/2–1152: Telegram

The Ambassador in France (Bruce) to the Department of State

TOP SECRET NIACT PARIS, February 11 [*12*], 1952—1 a.m.

4925. Attention Lincoln Gordon. Ref Embtel 4924, Feb 11. [1]

1. French Defense Minister presented breakdown of 1400 billion budget divided as follows (all numbers in billion francs):

Army 340, Air Force 220, Navy 125, common services 125, Defense Dept civil expenditures 137, third slice infrastructure 15, and Indochina and DOT's 438 broken down into 380 for Army, 33 for Air Force, and 25 for Navy. Defense Ministry and MAAG both estimate that expenditures of 1400, allocated according to foregoing breakdown, would support an army of 14 1/3 divisions, but in lower state of readiness than set by SC's particularly in divisional backup. Eighteen months' conscription period could be maintained with somewhat slower call up. Air Force estimated as having 27 squadrons of 478 planes with better planes and effectiveness considerably greater than the 26 squadrons in being latter part of 1951 as against 33 squadrons recommended by SC's. Navy would be same as 1951 plus two destroyer escorts and six coastal minesweepers due under MDAP.

2. 1400 estimate contains continuation of old procurement contracts of approximately 38 for Army, 68 for Air and 45 for Navy. Provides new procurement and production contracts amounting to only 60 for Army, 19 for Air and nothing for Navy. French official states implication of small amount in new contracts for Air is that jet aircraft needed in 1953 would have to come from OSP or end-item aid. The 1400 estimate provides little production for buildup in 1953.

3. The 1400 budget shld give a force politically viable in relation German contribution. The buildup of French and German air forces could be kept in balance within EDC.

BRUCE

[1] *Supra.*

No. 501

751.5 MSP/2-1252

Memorandum of Telephone Conversation [1]

TOP SECRET WASHINGTON, February 12, 1952.

The Secretary telephoned Secretary Lovett to ask whether he had seen telegrams 4924 and 4925 [2] from Bruce. Secretary Lovett said he had not. Mr. Acheson said there was a meeting going on at Mr. Harriman's office with a representative of Defense, as well as of State, to try to figure out just what they meant. The result of the conversation was that Mr. Lovett and the Secretary would get together today, when they had a report on what the working level people considered the telegram meant in terms of financial help wanted.

There followed discussion of whether Mr. Lovett should come to London on the weekend to talk with Mr. Harriman about the French budget. Mr. Lovett said the matter had been mentioned to him, but that in his judgment (which was before these telegrams had been received) he had not thought he should go, since to do so played Lisbon down. He had thought he would have time to talk on Tuesday, the 19th in Lisbon; but the Secretary pointed out that he might not get there until Wednesday.

The Secretary said he thought the talks that were now proposed between Secretary Acheson, Secretary Lovett, and Mr. Harriman, in the light of the new cables, were a necessary preliminary to Lisbon. The telegrams seem to indicate that the French will accept the TCC program, provided we give them financial help (in the amount indicated in the telegrams, about which amount there is confusion and uncertainty). Mr. Acheson thought we would have to have some idea about what we can do before going to Lisbon. He, therefore, thought Secretary Lovett should consider going to London if Mr. Harriman was going to be there, after which Mr. Harriman, and possibly Mr. Lovett, could go down to Lisbon and have some talks with the French before the NATO meeting opened.

Mr. Lovett said he thought there were two reasons why he probably would not go to London. The first was that he had told the Committees on the Hill that, because of the postponement of NATO, he would be available to testify through Monday. He also thought it was fairly futile to talk with the French along the lines of what we would do for them in return for what they would do.

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[1] Drafted by Marion Evans, Dulles' personal secretary. Copies of this memorandum were sent to Matthews, Merchant, and Bonbright.

[2] Document 499 and *supra*.

He had pointed out to them in November in Paris [3] what might be done in the way of military expenditure and had also pointed out that every month of delay would mean 35 or 40 million dollars not spent. They have now lost three or four months such expenditure, which is now gone. He thought we would have to face up to the fact that it was hopeless to deal with the French on the basis of the 14 divisions, and that we must face up to the fact that they would have to do what they can, and we can not talk with them on the basis of some theoretical figure of the military people. Mr Lovett pointed out that he had only 200 million dollars of transferable funds left. As soon as they can find out some way of distributing that, they will be out of cash, except on end items under the transferability clause.

However, Mr. Lovett said he would come to see the Secretary as soon as he had word from Ruffner. He thought any talk would be meaningless until we get some plan of what to do. He has a strong hunch that there is very little that can be done now. He mentioned that if we cut down the French to 7 divisions, the Germans will have to be cut down to seven also. Mr. Lovett said that he thought the temper on the Hill is going to be very rough on our doing anything more than match the other country's effort—not pick up his tag. He had ducked questions by saying that we were exploring things now.

[3] For documentation concerning these meetings with the French in Paris during November 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 437–455 *passim*.

No. 502

A/MS files, lot 54 D 291, "MAAC"

Minutes of the Mutual Assistance Advisory Committee Meeting, Tuesday, February 12, 1952, 11 a. m. [1]

SECRET WASHINGTON, February 20, 1952.

MAAC M–10

Present:

Office of the Director for Mutual Security	*Mutual Security Agency*
Mr. Gordon (Chairman)	Mr. Cleveland

[1] The Mutual Assistance Advisory Committee (MAAC) was an interagency group created in November 1951 as a successor to the International Security Affairs Committee (ISAC). Records of this Committee, including documents, reports, and action summaries are in ECA–MSA–FOA files, lot W–13, "MAAC files".

Mr. Dondero
Mr. Murphy
Mr. Wolf

Department of State
Mr. Merchant
Mr. Cowan
Mr. Ferguson
Mr. Stinebower
Mr. Vass

Department of Defense
General Ruffner
Colonel Hains
Commander Hoffman

Mr. Gordon
Mr. Lippincott

Department of the Treasury
Mr. Willis
Mr. Arnold
Mr. Curtis

Bureau of the Budget
Mr. Nelson
Mr. Hirschberg

Office of Defense Mobilization
Mr. Rock

Secretariat
Mr. Christensen

Problem of Aid to France

1. The Chairman reported that the agenda had been changed because of the necessity of giving urgent consideration to the French problem. He called attention to cable 4924, February 11 [*12*] from Paris,[2] containing recommendations on what should be done to meet the French requirements, and cable 4925, February 11 [*12*],[3] setting forth details of the French budget. He also called attention to the fact that 4925 had been approved by Messrs. Harriman, Draper, Pauley, Labouisse and Richards. He then asked for comments on the two telegrams.

2. Mr. Vass noted that it was not clear whether the proposed French budget covered the second slice of infrastructure; but, if so, then it did not seem that the contribution for the third slice was large enough. Mr. Gordon said that provisions for infrastructure might be included in the Air Force portion of the budget, but said that clarification on this point would be requested. Mr. Vass said that there was also a question as to whether the French would need as many planes for the number of squadrons now being planned.

Mr. Willis asked what the meaning of the decrease in the rate of the Defense buildup would be. The Chairman replied that it was his assumption that it would mean a smaller ratio of active to reserve forces. Colonel Hains said that it would be necessary to let SHAPE and the JCS decide what forces were best for the French.

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[2] Document 499.
[3] Document 500.

4. The Chairman pointed out that Embassy telegram 4924 was in effect a proposal for the redistribution of the way in which the $600 million commitment to the French should be made available, noting that the need on which the $600 million commitment is based still exists. He requested that the members comment on this proposal. Mr. Cleveland noted that the French defense program is actually larger than we had expected. In effect it represents a French contribution of approximately 1225 billion francs. Previously it had not been anticipated that the French contribution would exceed a gross of 1100 billion francs. The Chairman pointed out that the TCC had recommended a French contribution of no less than 1100 billion francs but that our staff in Paris has agreed that we should seek a French program of no less than 14 billion francs. He asked that the members consider means available to achieving a program of that magnitude. He referred to the recommendations contained in paragraphs 3 and 5 of the telegram from Paris (4924) and indicated that this was the general approach that he had discussed with Mr. Nash and General Olmsted on February 9, and at that time they had been opposed to such a solution. General Ruffner said that consideration had been given to this proposal in the light of the two cables from Paris and that one of the most important questions was that of the source of the funds for financing the contracts. Moreover, there are still no recommendations from General Eisenhower or the Joint Chiefs of Staff on the effect of having the French come up short on their divisions. In addition, there is no decision as to whether transfers should be made from the Italian and Belgium programs to meet this proposed plan. He reported that it had not been possible to discuss these cables with Messrs. Lovett and Foster prior to the meeting but that it had been Mr. Nash's view that this problem would probably be decided during the time that the top officials are in Europe. He said that the money to finance this proposal from Paris would have to come from somewhere else and that no one had as yet had an opportunity to pass judgment on the advisability of transferring additional end-item funds. Moreover, Secretary Lovett is insistent that whenever money is transferred that an equivalent contribution to the Defense effort result. The Chairman said that this was not a question of additional transfers from the military end-item funds but rather a suggestion by the Embassy that the money programmed for offshore procurement or for end-items for France be utilized in France to procure similar equipment under procedures less restrictive than those presently in effect for offshore procurement. Colonel Hains said that nonetheless a transfer would probably mean a cutback in forces elsewhere and as yet we have no indication as to whether General Eisenhower or the JCS will agree to this. Mr.

Gordon said that he was aware of this but in view of the large sums of money now in the pipeline, it would simply mean making the pipeline shorter and making up this sum in future years. He said that he was not sure that a $200 million reduction would reduce the forces in any country in the near future although eventually it will have some effect.

5. The Committee then discussed the problem of estimating the size of US military expenditures in France and the question of how much of these expenditures actually accrue to the French Government. Mr. Cleveland pointed out that it was the assumption of the French at the time the $600 million commitment was made that a sum in excess of this amount would actually have to be made in order for an amount of that magnitude to accrue to the Government. The Chairman pointed out that if it turns out that the French actually get $600 million without any extraordinary action on our part, there will be no need for worry; but that unless the French are guilty of gross negligence in seeing that US defense expenditures accrue for the most part to the Government, we will be bound to see that they actually obtain the $600 million.

6. The Chairman then raised the question of whether it would not be possible to meet a part of our commitment by purchasing in France some portion of their military program under standards less restictive than those established for present offshore procurement. Col. Hains said that it might be possible to use the funds transferred from military end-items in that way but that present funds would have to be used under existing procedures in the standard way. Mr. Gordon said that under the plan we would select those contracts that we wanted to take over from the French Government. Mr. Ferguson asked if this was a blanket turning over of funds to the French Government. The Chairman replied that if it was, then he was opposed to it. Mr. Vass said that the plan involved new procurement and not the picking up of existing French contracts.

7. Mr. Merchant asked whether it might be possible to meet some of the requirement by the pre-purchasing of local currency in France. Mr. Willis said that in the discussions that had been held on pre-purchasing it had been decided that there would be many disadvantages in such a system. At best pre-purchasing merely postpones the problem since it really constitutes an interest-free advance which had to be met at a later time. It is also considered as an undesirable practice because of the possibility of exchange rate changes and the Congressional justification problem. He concluded that the idea of pre-purchasing had been dropped as one to be considered only in connection with a much more serious problem.

8. The Chairman said that perhaps the essential factor in the discussion was that offshore procurement had to date been too slow. This has arisen primarily because the directives thus far have covered only those things included in US end-item programs and which accord to US specifications. However, if the restrictions on OSP procedures were loosened, it would still be possible to procure equipment which would meet NATO standards. He concluded that if the French are unable to finance some of the desirable items in their planned production program, it would be far better for the US to finance them now at the sacrifice of items which would not be produced in the US until 1953 or 1954 since we will gain more by maintaining good short run production.

9. The Chairman then made the following recommendations and action assignments:

(1) MSA is to develop a specific proposal on the amount of funds presently programmed for other Title I countries which could be diverted to meet the French requirement. It was suggested that perhaps as much as $60 million could be obtained in this manner.

(2) Since the considerations which prompted the $600 million commitment to France are still valid, the authority to transfer military end-item funds to economic aid should be utilized to provide an additional amount of money. The legal advisers and legislative technicians will have to be consulted for their judgment as to the amount of funds now remaining that are available for transfer and the advisability of carrying out such a transfer.

(3) An examination will be made to see what steps can be taken to expand the procurement program for Indochina in substitution for French expenditures on French production for such purposes.

(4) An examination will be made as to whether OSP arrangements can be developed which would make some of the contemplated French production of hardware eligible for procurement. This procurement would be handled through the French Goverment with the standards established as close as possible to those presently in effect for OSP.

No. 503

Secretary's Memoranda of Conversation, lot 65 D 238, "February 1952"

Memorandum of Telephone Conversation, by the Special Assistant to the Secretary of State (Battle) [1]

SECRET [WASHINGTON,] February 12, 1952.

Mr. Lovett called the Secretary this afternoon following the earlier conversations [2] and said he had a couple of ideas on how to handle the French situation. He said that out of some $580 million of the end item account which could be transferred, we have transferred a little over 478 million, plus 27 million for Indochina. This leaves approximately 75 million. Mr. Lovett said he thought under the Secretary's theory (the business of what would be required for 14 divisions instead of 17) if we could stick to hard items such as trucks, etc., and leave off such items as blankets, we might be able to shrink down deliveries to the lower figure. He said this might give us some funds to enable us to go in to off-shore procurement. He mentioned that of the 150 million already approved for off-shore, we were unable actually to make the purchases for one reason or another. He said that what we must find out is some reliable information on the actual items which the French would want purchased. The Secretary promised to speak to Mr. Harriman and try to send something back to Mr. Lovett next Friday.

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[1] Copies of this memorandum were sent to Bonbright, Merchant, and Matthews.

[2] For a record of an earlier telephone conversation, see Document 501. No record of other conversations has been found in Department of State files.

No. 504

751.5 MSP/2-1252: Telegram

The Acting Secretary of State to the Embassy in France [1]

TOP SECRET
PRIORITY

WASHINGTON, February 15, 1952—12:35 a. m.

4841. Paris pass Harriman and Draper, Labouisse, Richards. Ref Embtel 4924 Feb 12 [2] & Deptel 4811 rptd London 3876. [3]

1. Legal and policy issues concerning best means dealing with financial gap in desirable French defense program still under urgent consideration here. Under acceptable conditions, it does appear possible that $200 million might be made available from FY 52 funds for application during this CY beyond the $270 million already provided from economic aid funds, and $30 million special assistance for IC, in forms directly (a) contributing to French defense program support, or (b) relieving the French defense program by an equivalent amount. Whatever amounts and techniques finally determined we would prefer making maximum in form procurement eligible hardware for use in Indo-China, perhaps piecing out small amount with direct aid from already available economic aid funds. Items would in any case have to be on JCS eligible list. Method and conditions of procurement still under study.

2. Understand that an immediate indication of what US is prepared to consider is essential (a) to obtain satisfactory French force and expenditure commitments for 1952 as part material being finally assembled by TCC Sunday for presentation to NAC Wednesday, and (b) to avoid possible French misunderstanding as to maximum US could do.

3. It is therefore suggested that Fr might be informed as follows:

A. If France would undertake physical defense program of the size and character outlined in Embtel 4925 Feb. 11 [*12*], [4] and devote to that program during CY 52, 1225 billion francs out of France's own resources, it may be possible for the U.S. to provide, and the U.S. is prepared to consider providing, out of FY 52 Mutual Security funds up to $200 million in forms directly contrib-

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[1] Drafted by Lincoln Gordon of the Office of the Director for Mutual Security and cleared with Merchant, Cleveland of the Mutual Security Agency, Foster of the Department of Defense, and Willis of the Department of the Treasury. Repeated to London for Acheson and Nash.

[2] Document 499.

[3] Telegram 4811 offered a preliminary recommendation that the United States purchase, out of Title III military funds obtained through a transfer from Title I, eligible military hardware produced in France for use in Indochina. (751.5 MSP/2-552)

[4] Document 500.

uting to the French defense effort, including the effort in IC, in addition to the $300 million already made available out of FY 52 funds. The actual possibility of making the funds available would depend upon the working out of satisfactory procedures ensuring the appropriate control of the funds and their application to the desired objectives. To the greatest possible extent this additional support would take the form of procurement or supply of eligible end-items for use in Indo-China; supplementary methods would be considered if $200 million could not be found in that form.

B. The US Executive Branch will be proposing to the Congress in March a program including substantial amounts for support of the French and Indochinese defense efforts in FY 53. Additional resources accruing to France as a result of such assistance should be applied to their CY 53 defense effort, or, if actually realized in 52 should be applied as an addition to the total defense effort referred to in para A.

C. Not yet possible to make firm commitment. Procurement for IC requires Presidential action for transfer Title I to Title III military assistance funds and consultation will probably also be required with Congressional Committees in advance of firm commitment.

4. This message approved by Foster, Defense. [5]

WEBB

[5] According to telegram 5036 from Paris, Feb. 16, when Labouisse informed Clermont-Tonnerre of the contents of paragraph 3 of this message, Clermont-Tonnerre indicated that it would be extremely difficult for France to increase expenditures from its own resources to 1225 billion francs for calendar year 1952. He also emphasized his desire that something be put in writing concerning the amount, nature, and timing of U.S. assistance for fiscal year 1952. (751.5 MSP/2-1652)

No. 505

Editorial Note

After extensive preparations during January and early February 1952, a series of Foreign Ministers meetings was held in London, February 13–19. Bipartite meetings between the United States and France dealt with the question of the size of the French financial contribution to the defense of Western Europe and with the relationship of the European Defense Community to NATO. Tripartite and quadripartite talks among representatives of the United States, France, the United Kingdom, and the Federal Republic of Germany were largely occupied with discussion of the German financial contribution to Western defense, security controls in Germany, and the treatment of war criminals. The Foreign Ministers subsequently traveled to Lisbon where, in addition to attending the Ninth Session of the North Atlantic Council, February 20–25, they

continued to discuss problems of mutual concern. For documentation concerning these meetings, as well as conference documents and supplementary papers, see volume V, Part 1, pages 1 ff.

No. 506

751.5/2-2552: Telegram

The Secretary of State to the Acting Secretary of State [1]

TOP SECRET PRIORITY LISBON, February 25, 1952—9 p.m.

Actel 9. Webb from Acheson. Please call attention President. No distribution except Lovett, Snyder, Harriman. The following represents an agreed memo of conversations between the representatives of France and the United States at Lisbon. The French Ministers present were Faure, Schuman, Buron, Bourges-Maunoury, Gaillard. [2] The American representatives present were Acheson, Lovett, Snyder, Harriman, Bruce, Nash, Draper, Pauley. This English text is now being conformed to French text and is therefore subject to minor changes.

Begin text. Mr. Faure stated that he had reviewed with his Ministers the situation of the French defense budget after the previous exchange of views with the representatives of the United States. He indicated that if a total of expenditures for 1952 of 1,400 billion francs is accepted on the understanding that 1,100 billion francs are already provided in the French budget in accordance with the estimates of the "wise men" on the financial capacity of France and on the understanding that 175 billion francs are to be provided by assistance from the United States, a gap of around 125 billion francs still remains. These 125 billion francs would not correspond to an additional armament effort but would just cover the increase in expenditures resulting from (a) the increase in prices (approximately 50 billion francs), (b) the increased requirements for the war in Indo-China not included in the "wise men" estimates of defense expenditures (approximately 60 billion francs), and (c) the requirements for the French expenditures in 1952 for third-slice infrastructure. Thus, it is to be concluded that a budget of 1,400 billion francs will not make it possible for French to mount adequately twelve equipped divisions. The figure should more reasonably be fixed at ten divisions. If France is to declare itself prepared to attempt one or two divisions in addition to ten divisions, it must be understood that there is no question of these units being placed on a war footing. It is understood that the eighteen month service will

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[1] Repeated to Paris "for absolutely eyes only Bonsal and Labouisse". Acheson was in Lisbon to attend the Ninth Session of the North Atlantic Council as well as a series of Foreign Ministers meetings; see the editorial note, *supra*.

[2] The text of this agreed memorandum indicates that Jean Monnet was also present.

not be reduced although administrative changes may be necessary to keep the number of conscriptees at an appropriate level.

Moreover, under these circumstances France would have to reduce considerably its armament program with all the major difficulties that that implies on both the industrial and political planes. It is indispensible in this regard that an additional effort by the United States should make it possible for France to avoid a drastic cut in its essential defense production.

Even if the suggested financial solution is adopted, the French Government will be forced to ask for supplementary resources in the amount of 100 to 125 billion francs either under the form of new taxes or in the form of reduction of expenditures now programmed. This action would be in addition to the 200 billion francs in new taxes already projected.

The purpose of the French Government is to check the developing inflation in France, but Mr. Faure stressed that he could not disregard the considerable risks being taken by the French Government in presenting a financial program of this magnitude, nor could he disregard the political consequences that might develop from a French crisis at this time.

He continued that the basic source of the French difficulties arose from the war in Indo-China. The French Government now believed that it would be necessary to spend an additional 60 billion francs to meet the requirements in Indo-China but tomorrow an additional 80 or 100 billion francs might be required. Moreover, the best part of the French officers and NCOs are engaged in the Far East. It is becoming more and more apparent that France is not in a position to carry at the same time the burdens imposed by the war in Indo-China and the necessary contribution to defense in Europe. Mr. Faure said he was compelled [to] state that if a special solution to this problem did not soon arrive or if supplementary assistance was not soon allocated, he would be obliged to ask his government to reconsider the program of Indo-China.

Mr. Acheson indicated that the question of the number of divisions was both a military and political program and that he was prepared to discuss the various aspects of the question.

Mr. Bourges-Maunoury insisted on the need of keeping any reductions in defense production in France to a minimum. There are two categories of production:

> (a). Production not yet undertaken but which is necessary in order to make the French divisions "operational", for example, vehicles. This production could either be replaced by end-item deliveries from the United States or by carrying out an offshore purchase program in France.
>
> (b). Production contracts which have already been placed and which must be cancelled if assistance from the United States does not enable these contracts to be taken up under an offshore purchase program.

Mr. Lovett thought that from a political point of view it would be much more preferable for French to plan on twelve divisions in 1952. All the NATO countries in fact envisaged an increase in their number of divisions. It would be very difficult to justify a request

for funds from Congress if France did not follow the general rule. However, Mr. Lovett said he understood very well that the two additional divisions would be "skeleton" divisions.

Mr. Faure indicated that in fact without adequate external aid in end-items the equipment deficit of the French forces would increase by the creation of the additional two divisions.

Mr. Lovett pointed out that military assistance would provide an amount of $300,000,000 from the funds under the responsibility of Mr. Harriman and an additional $200,000,000 which would be used in France for off-shore purchases particularly for arms and equipment for the forces in Indo-China. In order to carry out this program of assistance considerable effort would have to be made to work out the necessary administrative procedures.

Mr. Bourges-Maunoury believed that a misunderstanding existed. In addition to the $200,000,000 off-shore purchase program referred to, the French Government believed that in order to maintain an adequate level of production and to avoid the industrial, social and military difficulties which would arise from an excessive cut-back in French production, it was necessary to envisage the passage of off-shore purchase contracts over and above this $200,000,000 program.

Mr. Lovett replied that it was impossible to give any definite information on what the United States would be able to do to make off-shore purchases over and above the $200,000,000 foreseen, but that the question could be studied by the experts of the two governments. With reference to the $200,000,000, these funds could be utilized for placing new contracts representing production in progress if the French Government could carry out the cancellation of these contracts. [3]

Mr. Edgar Faure stated that it would be practically impossible to obtain from the French Parliament a considerable amount of new taxes if at the same time he could not refer to a solution which would give satisfaction to France from the point of view of national defense and French defense production.

Mr. Jean Monnet recalled that the work which had been followed by the TCC with a view to determining the defense burdens of the different countries; speaking to Mr. Harriman he declared that there could be no question but that France would be the country in Europe carrying the heaviest burden [of] this war if the financial solution envisaged was adopted. Italy had not accepted the solution of the "wise men". Everyone knew the position taken by Belgium. The United Kingdom had just declared in a white paper that it would transfer to 1953 a part of its 1952 expenditures which would result in the total of its defense expenditures being approximately equal to those of France even though its national income was one-third higher than that of France. The amount of the French contribution established by the "wise men" at 1,100 billion

[3] According to telegram Actel 14 from Lisbon, Feb. 26, the last sentence of this paragraph was corrected to read as follows: "With reference $200,000,000 these funds could be utilized for placing new contracts representing production in progress if the French Govt should find itself obliged to cancel such contracts." (751.5/2-2652)

francs had been one of the important elements of comparison which was used in the establishment of the German contribution. Therefore, as the situation had now developed, France must accept a burden higher than that of any of her partners. Moreover, the other European countries were able to establish firm military programs and to foresee the basis of their financial position while France must accept the uncertainty of additional expenditures at any time for the war in Indo-China. These expenditures overburdened its economy and placed in peril the continuation and the execution of the French program for European defense.

Mr. Jean Monnet concluded in affirming his conviction that the weight of the military expenditures that France was going to support were far too heavy. Moreover, the expenditures which would result from the war in Indo-China were necessarily uncertain.

Mr. Edgar Faure called attention again to the consequences which would result from the present situation not with regard to the position of his own government, [4] but also with regard to the policy of western defense which all the NATO countries conduct in common.

Mr. Schuman, making specific reference to the remarks of Mr. Faure on the need for a special solution for Indo-China, or for supplementary assistance, stressed that the program of Indo-China dominated the situation. It had to be examined first by France but also by its Allies. A solution was necessary this year, if not we will be led into an impossible position. The program will impose upon us the gravest decision that is to be taken in the course of 1952.

Mr. Acheson replied that this program of Indo-China was now the subject of a serious examination by the American administration.

It was understood by the representatives of both governments that the memo of understanding, dated the twenty-fifth of February, 1952, was drawn up on the basis of the above discussion. *End text.*

Text of agreed memo of understanding to be signed this afternoon after conforming French and American texts follows in separate cable. [5]

ACHESON

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[4] Telegram Actel 14 from Lisbon, Feb. 26, noted that Faure's last comment must be changed to read as follows: "which would result from the present situation not only with regard". (751.5/2-2652)

[5] *Infra.*

No. 507

751.5/2-2552: Telegram

The Secretary of State to the Acting Secretary of State [1]

TOP SECRET PRIORITY LISBON, February 25, 1952—9 p.m.

Actel 10. Please call attention President. No distribution except Lovett, Snyder, Harriman. Following is American text of memorandum of understanding to be signed this afternoon after confirmation with French text. See Actel 9. [2]

Begin text. I. In conformity with engagements undertaken in common in North Atlantic Treaty Organization and with specific reference to approval by Council on February 23, 1952 of supplementary report of Temporary Council Committee, the Government of France and Government of United States have made following arrangements:

1. The report of Temporary Council Committee recommended French military expenditures at 1190 billion francs in Oct 1951 prices, of which 1100 billion francs was [to] be financial contribution from France's own resources. This contribution was accepted by French Government as corresponding to economic and financial capabilities of the country. Since this report was prepared in addition to necessary adjustments for price increases, there has been an unforeseen increase in expenditures for military operations in Indochina. Faced with necessity of constituting forces in Europe as well as carrying these additional charges in Indochina, French Government has decided contribute to defense in excess of amount recommended in report. French Government underlines, however, that it considers this supplementary effort to have an exceptional character and stresses that level of its 1952 contribution is not to serve as a basis for any estimation which might subsequently be made by NATO organizations of capability of France to contribute to defense effort in 1953.

2. In consideration of this decision by French Government and subject to its approval by French Parliament, United States Government has decided, under conditions set out below, to modify its program of assistance to France out of fiscal year 1952 funds in a manner which will provide additional budgetary resources for defense effort to be carried out by France in 1952.

3. In view of these financial resources French Government has declared itself prepared establish defense forces set forth in Annex B of supplementary report of Temporary Council Committee as approved by North Atlantic Council in its meeting on February 23, 1952. [3]

II. In accordance with this agreement representatives of United States Government informed French Government that program of assistance from US from fiscal year 1952 funds would be as follows:

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[1] Repeated to Paris "for absolutely eyes only Bonsal and Labouisse."

[2] *Supra.*

[3] For the text of the Supplementary Report of the TCC, see vol. v, Part 1, p. 211.

1. An amount of $500 million is to be made available to French Government from funds voted by Congress for fiscal year 1952 under Mutual Security Act. This $500 million will give rise to financial resources in francs which can be applied to defense expenditures foreseen in French budget for 1952.

The $500 million is to be broken down in fol four categories:

(A) An amount of $170 million in economic aid has already been made available to French Government.

(B) An additional amount of $100 million in economic aid has been earmarked to be made available to French Government before March 15, 1952. It is understood that of this $100 million an amount of $25 million is to be available to French Government before end February 1952. The two governments agree that in future discussions to take place in Paris to determine utilization of French franc counterpart of Amer assistance, counterpart of this additional amount of $100 million is to be earmarked for defense expenditures in Indochina.

(C) An amount of $30 million will be applied to finance French orders for supplies in United States for needs of forces in Indochina. These funds are available for orders previously placed in United States by French Government.

(D) Remaining $200 million will be provided under "off-shore purchase" contracts to be placed in France primarily for arms and equipment for forces in Indochina, and if funds of this amount cannot be fully utilized for forces in Indochina, for arms and equipment for French Forces in Europe, subject to following conditions:

1. Realization of these off-shore purchases is dependent upon conclusion very promptly of an agreement now being discussed between the two governments concerning taxes in France applicable to US expenditures in France for common defense and on coming into force of that agreement soon enough to permit off-shore program to be carried out.
2. It will only be possible to place these contracts for off-shore purchases if French prices quoted are in general comparable to going prices for similar items delivered in France from US.
3. Subject to two reservations indicated under paragraphs 1 and 2 immediately above, US Govt will take all practicable measures to provide that French Govt will receive for balance of payments purposes $200 million before end of June 1952 or in any case as soon thereafter as is administratively feasible, although timing of actual payments of liabilities in French francs under contracts is to take place in accordance with terms of contracts. If US Govt so elects it may obtain this result by increasing sum of $100 million foreseen under paragraph (B) above as a substitution for a comparable amount of off-shore purchases under $200 million foreseen in this paragraph. US Govt may also substitute for part of $200 million procurement program, if this cannot all be placed in France, purchase in US of items now budgeted by France for needs of forces in Indochina.

4. Off-shore purchases may, if US so elects, apply to contracts already placed if French Govt had been forced cancel such contracts.
5. US Govt is to elect items to be included in off-shore purchase program of $200 million from contracts which are scheduled for franc financing under French defense program for 1952 as defined in Section V below.
6. US Govt may if it so elects and with agreement of French Govt make a contract with latter for all or part of these items. Appropriate procedures are to be evolved permitting reps of US Govt participate in inspection to ensure minimum quality standards of deliveries and in consultations to insure prompt payment arrangements with producing firms in France to encourage rapid production.

III. The two govts agree that receipts in dollars of French Govt coming from expenditures of American Forces in France, including contribution by US to infrastructure and purchase by US of material and supply [4] are likely reach level of $100 million before June 30, 1952. Accordingly present arrangements are considering superseding earlier discussions relative to assistance to France from fiscal year 1952 funds.

IV. The two govts agree that the conversations now in progress with a view to facilitating the placement in France by the US of contracts for material, supply and labor, and for infrastructure, including airfields and other installations must be brought to a prompt and satisfactory conclusion in the interest of the common defense.

V. In view of the new program outlined by the representatives of the US in Section II above, which will provide budgetary assistance not previously foreseen, the French reps stated that the French Govt will provide for a military budget of 1400 billion francs in 1952 (according to NAT's definition of def expenditures).

This budget of 1400 billion francs is to be based on provisions forces committed by France to NATO at ninth session of Council at Lisbon and included in Annex B of supplementary report of Temporary Council Comite, dated Feb. 24, 1952.

VI. (A) The two govts recognize that French program of 1400 billion francs set out under Section V above will result, despite $200 million off-shore purchases to be effected by US Govt, in cancellation of a certain number of production contracts and in severe curtailment of new contracts. Thus level of defense production in France will be seriously reduced.

It is therefore requested urgently by French reps that US Govt carry out purchases in France over and above program of $200 million of off-shore purchases mentioned under Section II above, either for needs of French forces or for needs of Forces of US and of Forces of other countries of NATO. The reps of US indicated that this possibility was not excluded if prices and technical conditions were acceptable, without, however, being in position take any en-

[4] According to telegram Actel 12 from Lisbon, Feb. 26, the words "for its own use" were to be added at this point in the text. (751.5/2-2652)

gagements on this subject. It was understood that French Govt would present to Govt of US a list of equipment which is now being produced in France or which could be undertaken within very short time for possible procurement by US. (B) French Govt pointed out that in any case French program as set forth in Section V above will only permit French Forces be equipped in small measure from French financial resources. [5] In view of this and changes in French military program French Govt requests a review of end-item program with a view to offsetting shortfalls in French production by a reprogramming of end-items and also to including if necessary a wider range of articles in end-item program for French Forces. French Govt requests strongly that any dels of end-items which may be feasible for these purposes be filled at least in part by production in France financed in accordance with paragraph (A) immediately above.

VII. Govt of US makes clear that it is not able take any engagement with regard to fiscal year 1953 funds including utilization of counterpart before Congress has voted necessary funds. Govt of France is informed however that in projected budget for fiscal year 1953 US Govt has made provision whereby amount of funds which could be made available to France under econ aid and under offshore purchase program for end-items could during course of that fiscal year be comparable to level available in fiscal year 1952. The Govt of US also points out that any additional resources in French francs which might become available to French Govt form these funds can be utilized only in connection with defense expenditures in France and only in course of calendar year 1953. *End text.*

Labouisse is requested make distribution of text to members of country team without ref to agreed minutes in reference cable. [6]

ACHESON

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[5] Telegram Actel 12 from Lisbon, Feb. 26, corrected this sentence to read as follows: "The French Govt pointed out that, in any case, the French program as set forth in Section V above will only permit Fr forces to be equipped in small measure from the French financial resources foreseen." (751.5/2-2652)

[6] According to telegram 5098 to Paris, Feb. 29, this memorandum of understanding as corrected by telegram Actel 12 was signed by Acheson and Schuman in Lisbon on Feb. 25. The minutes transmitted in telegram Actel 9 (*supra*) were also initialed by Acheson and Schuman. (751.5/2-2852)

No. 508

740.5/2-2552

The Acting Deputy Director of the Office of European Regional Affairs (Knight) [1] *to the Deputy Assistant Secretary of State for European Affairs (Bonbright)*

TOP SECRET LISBON, February 25, 1952.

DEAR JAMIE: I am enclosing herewith three copies of a memorandum which I dictated yesterday and which may or may not be worthwhile. However, the more I think the problem over, the more I am becoming convinced that this is the best and perhaps only way out.

The new agreement with the French, [2] which should be firmed up later today, is leaving a none-too-good taste in the mouths of many people. No one to whom I have spoken really believes the agreement is realistic and that the French have the capacity of living up to it. It may have saved "Lisbon" in the narrow sense, but it has not solved the French situation. As a result, David [3] and Tommy [4] are very fearful that the Faure Cabinet will not last the week. Faure is taking a philosophical point of view on the basis of his youth and in the belief that in the long term his efforts to save the TCC here and to build solid strength in Europe will be an asset rather than a liability in his personal political balance sheet. On the other side of the fence, I understand that Bidault and Bourges-Maunoury wish to resign as the resulting military budget is not adequate for the program which they have in mind. Therefore, we have the slightly paradoxical combination of an effort judged economically too great by many and militarily inadequate by others.

I will fly up to Paris on the SHAPE plane on Tuesday and spend a few days there before returning to Washington. While I would like to return by next week end, I somehow feel it would be foolish to skimp on a day or two as long as I am there and have this occasion to get a personal "feel" of the situation.

Affectionate best wishes to Sybil.

As ever,

RIDGWAY

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[1] Knight was in Lisbon to serve as coordinator of the U.S. Delegation to the Ninth Session of the North Atlantic Council, Feb. 20–25.

[2] This is a reference to the memorandum of understanding, subsequently referred to as the "Lisbon agreement", the text of which is in telegram Actel 10 from Lisbon, Feb. 25, *supra*.

[3] David K. E. Bruce.

[4] Presumably a reference to Llewellyn E. Thompson, Counselor of Embassy in Italy.

[Enclosure]

Memorandum by the Acting Deputy Director of the Office of European Regional Affairs (Knight)

TOP SECRET [LISBON,] February 24, 1952.

Subject: France's Military-Budgetary Problem

Despite our immediate success in reaching agreement on the French budgetary and force contribution, I think all of us realize that we are a long way from being out of the woods. The Faure Government is hanging on by its teeth, and recent reports on the black market value of the Franc indicate that the inflationary trend is assuming ominous proportions.

French negotiating tactics being what they are, ill will has been created and apparently is preventing an evaluation of the importance of France's contribution in the perspective which it deserves. Furthermore, and at least as serious, France's geographic position also seems to be overlooked. It is not impossible that some members of the Delegation have in the back of their minds the thought that, after all, if France "is too impossible", or should she fail us, we can always fall back on Germany.

This seems to be a fallacy of the first importance. It is difficult to imagine Europe's defense based on an arc with no depth. This would be the situation if France does not develop the kind of military strength which we now have in mind. It is now apparent that this kind of strength falls well short of the old DC/28 target. [5] It is not impossible, indeed it is felt highly probable, that the Germans themselves would refuse to run the risks entailed in rearming if they did not have a reasonably strong France back of them. Reinforcements during the initial stage of a campaign in Germany would be coming from France and the Low Countries; only thereafter from the UK, and only much later from the US. Consequently, the French military effort is of the most direct interest to Germany.

As a matter of fact, the only probable alternative to the present NATO defense plans, from the US point of view, would be the so-called defense on the periphery: the UK, Spain, and North Africa. The political risk inherent in this alternative, derived from the fact that we probably could not leave US forces exposed in Germany if there is no French strength to support them, would be very great.

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[5] NATO document DC/28, Oct. 28, 1950, was a report by the Military Committee on the Medium Term Plan Force Requirements; for documentation concerning this report and its subsequent review by the Council of Deputies, see *Foreign Relations*, 1950, vol. III, pp. 1 ff.

As soon as this policy became apparent, neutralist strength in France, Germany, and in the other continental NAT countries, may be expected to mushroom overnight. At the same time, the will to resist Communism on the part of those elements which are now our friends would be so seriously sapped that we could not exclude the possibility of Communist take-overs in the Czechoslovakia style.

It therefore would seem that the first thing which the US Government should do is to decide at the highest level exactly how important France is to us. While no such decision can be made "once and for all", we need a decision that can stand for more than a few weeks or months—a decision shared in all essential aspects by all governmental departments, by the decisive elements in the Congress, and by the general public.

The second thing to ascertain would be the minimum size of French forces in Europe which would make Germany's contribution to the EDF politically acceptable to France. This should be approximately the force level being discussed in the current negotiations.

The cost of this force level should then be looked at in the light of our decision as to the importance of France to us. It is probable that when we will have thought out carefully this question, the answer will be that we must make sure of France as an active and full participant in our collective defense, situated at the strategic heart of the continental NAT countries. As a corollary, it is probable that we would conclude that we must somehow attempt to provide France more budgetary support than is now planned, even in our 1953 aid program.

Certainly, we should not give in to any and all French requests and demands. However, we should try to arrive at a fairer evaluation of the French effort and of the situation in which France now finds herself. It is conceded by the French, as well as by ourselves, that the fiscal system is archaic and inefficient. Likewise, they recognize that there is little fiscal equity in fact and that the progressive taxation on the statute books only applies with any reality to the Frenchmen with fixed incomes declared at the source. Nevertheless, it would seem to be a serious lack of statesmanship to permit our decision to be governed by such factors which result from tradition generations old and which cannot be changed except in terms of years.

France as a whole pays more in taxes out of its national income than does the United States. This, rather than the make-up of this total tax take, is what we have the right to judge. Furthermore, there can be no doubt that the French defense effort, at home and in Indochina, is stimulating a growing inflation. We should contin-

ue, of course, to urge the French to take all possible corrective measures. But there are real limits on the extent to which any practicable measures can be immediately successful. Inflation is a fact, and it must be controlled if France is not to break up internally.

It is believed that the French military budget problem cannot be solved by patchwork, by squeezing out a few additional million francs from other parts of the French budget, and by trying to find a few more million dollars in this or that part of MSA funds. In plain words, it would seem that the negotiations over the last year-and-a-half have demonstrated that this problem is of a very different order of magnitude. If so, we face a very difficult decision as to how this problem can be solved in a way that is politically and economically realistic in the United States.

In view of the legal restrictions on MSA funds, it is evident that we are unable to make a substantial additional contribution to France without special Congressional action. The reluctance of the Congress to take such action in an election year is apparent. In fact, there is much evidence that a strong effort will be made in the Congress to reduce drastically the foreign aid program already proposed for 1953. To request a supplemental appropriation at this time, in the face of the existing opposition, might seem to be politically irresponsible. On the other hand, there is a possibility that a bold new program might be the best way to focus public attention on the nature of the problem and to create the support required to sustain our existing program.

It is suggested that it might be possible to peg a new program on the Indochina situation. It is factually correct that, except for the operations in Indochina the French would need no dollar assistance whatever. Moreover, such a program would highlight the fact, largely ignored by our naturally Korea-conscious public, that the French have been fighting a major war against Communist expansion in Asia since 1945. Politically, it would seem highly preferable to concentrate public attention on the "fighting French" in Indochina rather than upon the "laggard French" in Europe. Finally, a program to provide additional dollar support to the French in holding Indochina, with the understanding that the French would continue to supply the manpower, would be difficult for critics of US policy in Asia to oppose without embarrassment.

The foregoing suggestion assumes, of course, that the US continues to consider that a French withdrawal from Indochina, even if logistically possible, would be highly undesirable in its effect upon the total strategic situation in Southeast Asia. In any event, from the point of view of US domestic politics, a bold new program based on France's fight on behalf of the free world in Indochina would

seem to offer the best prospects of success. The only alternative is an effort to stretch points in our present legislation and to try to increase aid out of the very limited funds presently available, while seeking to minimize the widely-prophesied reductions in the 1953 aid program. This would put the administration on the defensive without directing public attention to the real issues of American security which are involved. A new and special program for Indochina, similar in some respects to the Greek-Turkish aid program, would inevitably arouse new screams of anguish from the diehards, but it would also give us the opportunity to place the facts before the public in a dramatic and convincing fashion. In view of the present state of opinion in the Congress, it would appear that we have little to lose by taking the initiative in this way.

No. 509

Editorial Note

During the early morning hours of February 29, the government of Edgar Faure was defeated in a vote in the French National Assembly on a question of confidence. The defeat came on an article in the finance bill under consideration by the Assembly providing for an overall tax increase of 15 percent. Reports of the downfall of the Faure government were transmitted to the Department of State in telegrams 5219 and 5260 from Paris, February 27 and 29, respectively. (751.21/2–2752 and 2–2952)

Following an unsuccessful attempt by Paul Reynaud to form a new government and René Pleven's refusal to try and form one himself, Antoine Pinay accepted the task and presented himself to the National Assembly for an investiture vote on March 6. Once approved, Pinay then presented his Cabinet to the Assembly on March 11 for another investiture vote which was also successful. The Embassy evaluated the obstacles in the way of Pinay's efforts to form a government in telegram 5419 from Paris, March 7 (751.13/3–752); it also reported on his new Cabinet and provided a brief biographical sketch of Pinay in telegrams 5433 and 5434 from Paris, March 8 and 9, respectively. (751.13/3–852 and 3–952)

The political crisis in France was analyzed by Ridgway B. Knight in his memorandum to James C. H. Bonbright of March 7 which summarized Knight's impressions derived during his recent stay in Paris. Knight's memorandum was subsequently circulated throughout the Department of State as well as to members of the Psychological Strategy Board. (751.00/3–752) Several months later, a detailed 18-page study of the new government, entitled "The Pinay

Government—Its Genesis and Prospects," drafted by Martin F. Herz, was transmitted to the Department of State in despatch 2982 from Paris, May 12. (751.00/5–1252)

No. 510

740.5/3–1752

The Chief of the Mutual Security Agency Mission in France (Labouisse) to the Assistant Director for Europe of the Mutual Security Agency (Cleveland) [1]

CONFIDENTIAL [PARIS,] March 7, 1952.

DEAR HARLAN: We are extremely disturbed by the recent measures which France has taken in the external economic field, [2] not only because they do not appear to offer any hope of a real solution to the problems at which they are aimed, but also because they represent a definite step away from the goals of an integrated Europe of which the French have been the most vocal advocates up to this time.

In our view, the retreat of the French into a system of import restrictions and what are in effect export subsidies or a system of preferential exchange rates is a greater blow to the ideal of the creation of a harmonious and unified economic system to cover all of Western Europe, and of eventual political federation than the defection of any other country. If this ideal of an economic and political union in Western Europe is ever to be reached, the French will have to play a leading part in its achievement. With Great Britain keeping herself at arm's length from Europe, with the fear that exists in Western Europe of a resurgence of German power, only the leadership of a France strong enough to provide an effective counterweight to Germany would appear to offer the possibility of reaching the goal. Thus the spectacle of a French economy caught up in a morass of difficulties from which its efforts to disentangle itself seem ineffectual and without direction, and finally adopting emergency measures which intensify the economic barriers in Europe is doubly disquieting.

The French have insisted that the recent measures are only temporary, and that their extreme character (with regard to the reim-

[1] Upon receipt of this letter, Harlan Cleveland drafted an interim reply dated Mar. 19 and circulated copies of his reply and Labouisse's letter to several officials of the Department of State, including Martin, Nitze, and Cowan. (740.5/3–1752)

[2] Information concerning French foreign economic policies was regularly transmitted to the Department of State in "Quarterly Economic Reviews" drafted by Embassy officials; copies of these reviews are in file 851.00.

position of import quotas) is an indication of their temporary nature and a guarantee that other solutions will be found. We are not as optimistic as they are, in their statements at any rate. In order for the present measures to be temporary the French would have to adopt a firm line of action unpopular with powerful pressure groups. It was their inability to do this which led to the current difficulties. The present crisis has been considerable time in the making. In the spring and summer of 1951, it was already clear that inflation in France was much greater than in other countries. The deficit in foreign trade, the French position in EPU, and official foreign exchange assets all began to and continued to deteriorate. In October the deterioration became very acute; then it let up somewhat but was still very rapid if compared with the situation during the spring and summer months. Until the measures taken at the beginning of last month almost nothing was done to arrest the decline, and indeed many policies followed by the Government only served to enhance it.

Credit policy is a case in point. Following the economic lull in the latter part of 1949 and the first part of 1950, the French liberalized their credit policy in May 1950 to encourage an expansion. Conditions, of course, changed drastically after the outbreak of the Korean war. During the last quarter of 1950, it was clear that production was expanding satisfactorily and that the major problem was to stem the inflation. Nevertheless, it was not until October 1951 that anything was done to restrict bank credit, which under the impetus of speculative pressures, as well as the expansion in production and the rise in prices, was three times as large in 1951 as in 1950. Even so, the measures taken at this time to tighten credit were more apparent than real and the expansion during the remainder of 1951 was just as great as previously. We have been told that under the pressure of complaints of businessmen the French financial authorities evolved a whole series of devices which made it possible to extend credit outside of the rediscount ceilings and thereby in effect to negate the publicly announced intentions of the Bank of France.

The Government wage and price policy has equally aggravated the inflation. One of the most contradictory aspects of this policy has been the legislating of price increases for the public utilities, for wheat, and other controlled commodities or services. Thus, within a brief period, the price of wheat was raised 30 per cent, the price of coal 20 per cent, steel 21 per cent, electricity 25 per cent, gas 12 per cent, and freight rates 15 per cent. It is true that each of these price increases was based on some rationale of increasing production (wheat), eliminating the deficit (SNCF), or obtaining funds for desirable investments (electricity and gas); but almost all

of these commodities and services enter directly into the cost of living and therefore increases in their prices only serve to nourish the inflationary spiral in which wage increases compensate for increases in the cost of living and in turn serve as the justification for further price increases. The Government's attempt to lower the price of meat resulted in confused disorder, the main results of which seem to be a temporary brake in the price of more expensive cuts at the expense of a rise in the cheaper cuts.

During the year and a half following Korea, hourly wage rates rose considerably more than consumer prices, and while weekly earnings did not rise as fast as wage rates, they were still higher in real terms at the end of 1951 than in June 1950. Twice in 1951 the Government boosted the legal minimum wage, which has a kind of "pilot" effect on wage trends, once by 11.5 per cent and the second time by 15 per cent. Probably because of the 1945–49 experience, when large-scale increases barely enabled wages to hold their own with prices, French labor could not now be satisfied with increases of a smaller magnitude which it might have been possible to absorb fully into the existing cost structure, thereby avoiding a large increase in the general price level and perhaps leading to a greater increase in real wages.

Government-inspired wage increases and government-directed price adjustments were transmitted rapidly throughout the price structure. Each economic pressure group succeeded in more or less maintaining its relative position. The financial authorities saw fit to let credit outstanding rise accordingly. As a result of these factors, the French wage and price structure moved upwards faster than that of its principal trading partners. By September 1951, the increase in French wholesale prices since the pre-Korean period was 4–5 per cent greater than in Belgium, Germany, and the UK, and 15 per cent greater than in Italy and Switzerland. During the last quarter of 1951, the gap was intensified and in December the increase in French prices was 11 per cent greater than in the first group of countries mentioned above and 25 per cent greater than in the second.

The French sometimes seek to attribute their difficulties to the post-Korea increases in the prices of imported raw materials. Although this undoubtedly had some effect in starting the inflation, the fact that imported raw material prices have fallen appreciably since the spring of 1951 has not prevented French prices from continuing to rise. In December 1951, the weighted index of imported raw material prices was 40 per cent above the level of June 1950, whereas the index of domestic raw materials was 94 per cent above.

The most common explanation that the French give of their present predicament, both popularly and in official circles, is that it is due to the burden of financing rearmament. However, this has not yet had a serious impact. In both 1950 and 1951, the Government budget was in a better condition (i.e., the percentage of expenditures which had to be covered by borrowing was smaller) than at any other time since the end of the war. Thus, the budget and defense expenditures cannot be held responsible. It is true to a certain extent that the defense effort has absorbed resources of the economy, in the sense that basic production and capacity in the heavy industries has increased under the stimulus of foreign orders, anticipated domestic orders and speculative increases in inventories. Thus, practically all of the industries concerned with producers' goods have experienced a particularly sharp increase.

A complaint constantly made in official circles is that the low level of foreign exchange reserves makes it impossible to have any flexibility in external economic policy. But the French were in a relatively good reserve position in the spring of 1951, and even if, as the French maintain, the rapid loss of dollars thereafter was partly due to the postponement of United States economic aid, the loss in EPU credits and in credits with other areas of the world cannot be attributed to this cause.

In the case of their EPU position, the French are certainly correct in attributing a part of their present difficulties to the import restrictions previously imposed by the Germans, the Dutch and the British. The German and Dutch import restrictions have probably played as important a part in the deterioration of the French position in EPU as the French internal inflation. The British restrictions undoubtedly played a part in the sharp drop in sterling exports in December and will weigh heavily on the French trade balance as long as they are continued. The improvement in the Dutch external position has made it possible for them to eliminate progressively their import restrictions to the point where they have almost reached again the 75 percent stage of liberalization. The German external position has improved spectacularly and though they are still far from the 75 per cent stage, they have increased the percentage of liberalized imports from its low level following the February crisis, and it is to be expected that both their situation and degree of liberalization will continue to improve. As far as the British are concerned, it is difficult to say now what the future prospects are; improvement in their external position will depend on the effectiveness of their internal measures and particularly of their budget policy.

In a sense, the French were pushed to take the expedient of restricting imports by the similar previous action of their main cus-

tomers in Western Europe. A number of French finance officials, however, consider the recent measures taken by their Government without having previously endeavored to change internal policies to be inadmissable. They nevertheless hope that the French action will force all the EPU countries to recognize that liberalization must be maintained and that constant changes in trade policies should not be relied upon to correct payments difficulties. Indeed, the French action may force a more searching examination in OEEC and the EPU Managing Board of what has to be done in order to make the multilateral trade and payments system workable. The French themselves are now pushing in OEEC for a deeper approach to the problem of creating a single European market, notably through the creation of a European investment bank which could encourage the specialization of production in those countries where it can be carried on most cheaply, by lending funds for the conversion of industries.

Another line of action which both the French and other OEEC countries have urged is a broadening of the functions of the EPU to take cooperative preventive action instead of being confined to remedial action for a single country once a crisis has arisen. Everyone could see how the French situation was developing months ahead of time, but under its present mandate EPU could take no steps to force corrective measures on France (or the other participating countries to the extent that their policies were contributing to the French difficulties). Indeed, the problem could not even be discussed in EPU because France had not yet abandoned 75 per cent trade liberalization. Thus, EPU had no choice except to sit by and watch the French slide downwards at an increasing rate.

The progressive liberalization of imports by other countries which are France's customers, and the broadening of the EPU function, may have a favorable effect on the French position. But it is doubtful that these developments by themselves would be enough to solve the French external problem. Even if other countries' actions had been the major cause of the present French external position, it has reached such a point, taking into account also the atmosphere of disorganization and inflation internally and the upward adjustment in the price and wage structure, that it appears that only a devaluation may be able to set things right again. Deflation is out of the question. As was the case in England in the months preceding the devaluation in September 1949, the expectation in France of devaluation is leading to a flight of capital of such proportions that it may be possible to stem it only by the *fait accompli*. However, the *sine qua non* of devaluation's having anything more than a temporary salutary effect is that internal prices are kept from rising as a result. Otherwise, the cycle will only

begin over again. The problem of keeping prices from rising after devaluation will not be an easy one, and will depend upon a credit and price and wage policy which will force sellers to absorb a large part of the increased cost of imports instead of, as usually occurs after any increase in costs in France, of over-compensating for it.

We have discussed the entire problem of corrective measures with French financial officials. We have also considered the problem with the Finance and Trade people in MSA/E and have reached agreement with them that the four following considerations should be stressed both in the EPU hearings on the French problem and in any further bilateral talks:

(1) How will the restrictive measures just taken by France affect the various projects for European integration in which she has been a leader: the coal and steel community, the common military budget, and the common military procurement program?

(2) What evidence can be offered to buttress the belief that France is able or has the will to handle her domestic economic and financial affairs in a manner conducive to the creation of the type of economic conditions which are necessary for integration?

(3) What steps are being taken by the French to ensure that the restrictive measures will really be only temporary?

(4) What did the French do before the fact to try to head off the crisis which has descended upon them?

The implementation of the Lisbon decisions may provide the French with an opportunity to work out the type of economic and financial program needed to restore some measure of stability to the situation. It is only upon the basis of such stability that we can hope to move forward towards our broader political objectives in Western Europe.

In view of the delicate nature of many of the subjects discussed in this letter, I should greatly appreciate your limiting its distribution to a few key persons.

Sincerely yours,

HARRY

No. 511

751.13/3–1552: Telegram

The Chargé in France (Bonsal) to the Department of State

SECRET PRIORITY PARIS, March 15, 1952—2 p. m.

5611. MSA/E for Draper. Pass also Harriman, Lovett, Snyder and Wood.

1. Amb Draper, accompanied by Labouisse and myself, paid courtesy call on PriMin Pinay afternoon March 14. Amb said he was returning to Wash this weekend for few days and he wld be glad to carry any msg PriMin might wish to send.

2. Pinay was most appreciative Amb Draper's visit. Said he accepted present job not because he liked or wanted power but because he felt he was needed. Pointed out heavy burdens facing France for reconstruction, investment and rearmament. He emphasized drain of operations in Indochina which "is not a French war but a fight on behalf of the free world against Communism," and pointed out that France is spending in Indochina at an annual rate equivalent to more than 50% of France's total investments in that area.

3. Pinay said his govt wld continue policies of predecessors in internatl field, mentioning Schuman Plan, EDF, and NATO. Specifically stated wld honor commitments made at Lisbon, but said it most important that US act promptly to carry out its undertakings so as to enable France to do her part.

4. Pinay referred to importance US expediting off-shore proc program, and especially urged that we find way to help finance Fr mil production so as to prevent curtailment of production. In this connection, Pinay made point that a new atmosphere of confidence is appearing in France and that it was a main objective of his govt to strengthen this confidence. He feared the serious consequences to "this young and fragile plant" if it shld prove necessary to cut back production and possibly increase unemployment.

5. Pinay stated that there exists in Fr opinion generally a deep-rooted fear of inflation and that memories of what happened to the currencies of Germany and of certain central European countries after World War I are being recalled in connection with the present situation. He expressed the view that further deterioration in the direction of inflation cld quite easily produce grave difficulties including public disorders.

6. Amb Draper expressed his sympathy with the Fr position. He summarized situation with respect to our $200 mil undertaking, but added that, in all frankness, he must point out his strong doubts that much if anything cld be done to take over additl Fr production. He referred to Pleven's statements on this subj of last Monday and merely undertook again to bring the Fr concern over this matter to the attn of the Wash authorities.

7. As to his prospective program (which we understand will be presented to the Assembly on Tuesday next), Pinay said the broad lines were known but not the details. He said that one of France's problems has been the need to finance by heavy taxes the costs of investment, reconstruction, NATO def, the operations in Indochina.

etc. These heavy taxes made prices higher and this in turn injured Fr's trade position. He said he intended to balance his budget, but wld not increase taxes. He wld try to make savings in the admin of the govt; "there wld have to be readjustments in investments and reconstruction"; and he wld make every effort to encourage payment of taxes due. He laid great stress on the importance of a moral awakening and of instilling in all Frenchmen the full sense of their civic responsibilities. He attributed the low morale of Fr to the shocks and dislocations of the two World Wars and to the occupations, but expressed his belief in the country's ability to recover stature promptly. He believes he has made a real start in this direction and appears to have confidence that he can carry it through.

BONSAL

No. 512

Editorial Note

During the Senate Foreign Relations Committee hearings on the Mutual Security Act of 1952, which began on March 13 and continued through April 4, former Ambassador in France David K. E. Bruce appeared before the committee to give testimony concerning the political and economic conditions in France. For the text of Bruce's statement made before the Committee on March 25, see Department of State *Bulletin*, April 7, 1952, pages 533–534. Regarding these and other hearings relating to the Mutual Security Act of 1952, see Document 255.

No. 513

Eisenhower Library, Eisenhower papers, "1916-1952"

Memorandum of Conversation, by the Counselor of Embassy in France (MacArthur) [1]

SECRET PARIS, March 20, 1952.

Participants: General Eisenhower,
General Chaban-Delmas, French Deputy and Mayor of Bordeaux,

[1] A handwritten notation on the source text reads: "This memo represents Mr MacArthur's recollection of the conversation. It is simply for the record and has not been cleared."

Colonel Walters,
Mr. MacArthur.

On March 17 General and Mrs. Chaban-Delmas dined quietly with Mr. and Mrs. MacArthur. During the course of the conversation after dinner, General Chaban-Delmas said he would be very honored to meet General Eisenhower but would not have the temerity to make such a request himself. Mr. MacArthur said that if General Chaban-Delmas wished, he would let General Eisenhower know that General Chaban-Delmas would like very much to call. General Chaban-Delmas acquiesced enthusiastically. It was subsequently arranged that Chaban-Delmas would call on General Eisenhower at SHAPE on Thursday, March 20, at 10 a. m.

General Chaban-Delmas opened the conversation by saying that he was privileged and honored to be received by General Eisenhower. The latter replied that he was very glad to make the acquaintance of General Chaban-Delmas, since he knew of General Chaban-Delmas' work in the Resistance. Chaban-Delmas said that in 1940 he had gone to England and joined the Resistance. From 1940 until the liberation in 1944 he had spent most of this time in France, although he had made numerous trips back and forth by plane between occupied France and London. In fact, prior to liberation, his last trip to London had been about August 5, 1944, to see General Koenig about the problems which would arise when Paris was near liberation. In London he had been informed of General Eisenhower's plan to encircle Paris, and had returned to Paris via Normandy to inform the Resistance leaders in Paris that they should not begin an insurrectionary movement in Paris prematurely and until the encirclement was completed, since this could result in dire consequences for both the population and the city itself, as the Germans might use such a premature insurrection as a pretext to destroy the city.

Actually, upon arriving in Normandy from London in August 1944, Chaban-Delmas had been escorted to the front lines by American officers, and then, dressed in sports clothes, he had made his way back to Paris by bicycle. He, himself, would have preferred to be parachuted back into the Paris area, but because the French had recently lost one of their agents through failure of the chute to open, General Koenig suggested that Chaban-Delmas be flown to Normandy and then make his way across the lines, in civilian guise. He had been questioned by the Germans on several occasions on his trip from Normandy to Paris, but had adopted the cover story that he had gone to Normandy to obtain food for his family, and to back up this story he had eggs, butter, a chicken, etc., in his bicycle bags. He said that despite his efforts to persuade the

French Resistance leaders to avoid a premature insurrection in Paris, this had not been possible since the Communists, over whom General Koenig and the French leaders in London had no control, were determined to launch an insurrectionary movement against the Germans prematurely.

General Eisenhower asked General Chaban-Delmas if the French Government-in-Exile or their representatives in Paris had any real control over the Communist Resistance movements. Chaban-Delmas replied that the Communists were very well organized in the Resistance, but that no one had any control over them except the top French Communist leadership, which he, Chaban-Delmas, had never been able even to see during his Resistance days. Chaban-Delmas said that while in Paris he sent word to General Koenig urging that the original plan for encirclement of Paris be modified and that the Allied armies strike directly for Paris, because the Communists would certainly begin the insurrection whenever they wished. General Eisenhower replied that if he recalled correctly, General Koenig had been the officer who had been responsible for the change in plans by explaining the situation. Chaban-Delmas said that his meeting today with General Eisenhower, then, really constituted a second meeting, since indirectly and through the person of General Koenig his views had been brought to General Eisenhower's attention in August of 1944 just prior to the liberation of Paris.

Referring back to the activity of the Communist Resistance groups during the days of the occupation, Chaban-Delmas explained that they had been very well and strongly organized south of the Loire where Allied troops had not penetrated after the landings in Normandy. For six weeks following the liberation, this entire area was virtually in the hands of the Communists because of the complete disruption of telephone, telegraph, and communication lines to the south. There had been a potentially very dangerous situation which the Communists might have exploited prior to the central French authorities being able to re-establish contact with this area. Fortunately, there had been sufficient stabilizing French elements to prevent a very dangerous situation from arising.

General Eisenhower then said he would like to take the opportunity of his meeting with Chaban-Delmas to set forth some of his problems, and notably some of his views on the role of France in the great collective effort to build security in Western Europe. He said that he sometimes had the impression that the average Frenchman did not realize the way in which other Western countries looked toward France for leadership and wisdom in the decisions with which the North Atlantic alliance is continually faced.

Historically, much of Western civilization stemmed from the French creative genius in arts, literature and creative political philosophy. He, General Eisenhower, hoped that France would continue to show the genius, tolerance and understanding which had historically made her great. From time to time problems arose which created difficulties. Sometimes, he felt that these problems resulted from a lack of understanding of our common objectives and how we achieve them. For example, the question of command structure was one which some people regarded purely in terms of prestige for an individual or for a country. Any country that agreed for one of its nationals to accept an important command post in the NATO alliance, undertook by such acceptance the heavy responsibility of doing everything possible to assist in the solution to problems and to support the collective effort. Failure to understand this, and to look on command posts as prestige plums, led to unnecessary exacerbation of national sensitivities.

General Chaban-Delmas said he could honestly and wholeheartedly agree with everything General Eisenhower had said, and that he knew General de Gaulle would feel exactly the same way about the fundamental issues which General Eisenhower had raised. While General de Gaulle did agree on the fundamental objectives and methods of moving ahead together, there was an internal French problem which he would like to talk to General Eisenhower about with great frankness. General de Gaulle felt that it was up to France to supply leadership and initiative. General de Gaulle was convinced that the present leadership in France was weak and vacillating and that if France were to be a worthy ally there would have to be new and vigorous French leadership. Therefore, in many of his speeches, General de Gaulle made allusion to the necessity for selflessness in French leadership and energy. In this connection, as General Eisenhower doubtless knew, the Communist anti-American propaganda had been meeting with very considerable success for the very simple reason that no foreign troops are ever popular when stationed even in the most friendly allied countries. This had been historically true from the time that the Macedonians moved into Greece, and perhaps even before then. In order to cut the ground out from under the Communist propaganda, and in order not to give them a complete monopoly, de Gaulle in some of the speeches stressed the necessity for France being accepted on terms of equality and not on terms of a junior partner or valet. He also attacked the French Government for not standing up and obtaining from France's allies the acceptance of France as a full and equal partner. These tactics were not aimed at the United States, but were primarily designed to weaken the French Government, which was incapable of giving leadership, so that it might be re-

placed by the leadership of General de Gaulle. Americans should not be over-sensitive about this, since he could assure General Eisenhower that it was not directed against the United States.

General Chaban-Delmas then made reference to a recent and important speech of General de Gaulle's in which the latter, after attacking the government for not properly defending France's interests vis-à-vis its allies, had paid a very high tribute to the Supreme Allied Commander as the most qualified and best man for the job. Chaban-Delmas said this reference to General Eisenhower had been specifically included in the speech at his, Chaban-Delmas', suggestion, and precisely in order to give balance to the speech so that the United States would not think de Gaulle was attacking either the Supreme Commander or the Americans. General Eisenhower replied that he could understand politicians endeavoring to attain power within their own country by attacking the government actually in power. This was probably a tactic as old as history. However, in his opinion no man in public life should ever lose sight of the over-all and long-term objectives of his country, and certainly speeches or words which could be interpreted by allies as attacks against them did not serve either the country in question or the collective unity which is essential if the Western world is to face up to the united threat of the Soviet Union and its orbit.

Chaban-Delmas then said he would like to refer back to a point which had been discussed previously—namely, the question of command. Every thinking Frenchman realized that the Supreme Allied Commander should be an American. An American supreme commander would bring more support from the United States public and legislative branch than any other commander. The United States had, by agreeing to designate a Supreme Commander, accepted responsibilities which he, Chaban-Delmas, hoped it would continue to accept. He did not think General de Gaulle would ever make any difficulties regarding the command structure of General Eisenhower or his successor. However, there was a point which he felt he should bring up. This was the question of French North Africa. If substantial air elements, tactical and strategic, were built up in French North Africa, notably Morocco, and if the United States contributed the overwhelming part of these air forces, it would be normal and natural for a United States officer to be named commander of these forces. However, this officer, in his dealings in Morocco with the Moroccan authorities, should act in accordance with existing treaties through the designated French officials who, by treaty, were responsible for the negotiation of Morocco's foreign affairs. In other words, an American commanding general in Morocco should not use his presence there to undermine French influence or to deal with the Moroccan sultan and authori-

ties in such a way as effectively to change the status of Morocco through the gradual elimination of France's legitimate interests there.

General Eisenhower said that he agreed entirely with General Chaban-Delmas on this point. He had never heard anyone suggest that any American Army officer had endeavored to use his military position in Morocco or elsewhere to undermine or weaken the position of an ally. Certainly, this was not the policy of the Department of Defense. Chaban-Delmas said he had mentioned this to General Eisenhower not with the idea that the latter would have different views, but simply as an illustration of the type of problem which might arise. He was very happy to hear General Eisenhower express himself as he had. He added that the time might come when the respective positions of France, Morocco, and the United States should be reviewed. If there were any thoughts on this on the part of either France or the United States, they should discuss it through diplomatic channels as an entirely separate question from the existence of non-French allied forces in Morocco. It was a separate problem and neither the United States nor any other country should use its position in French overseas territories to endeavor to secure a change in the international status of such an area. Chaban-Delmas said he mentioned this not because he thought the United States had any such ideas in mind, but that past experience with the British had not been happy for France in the area of Africa and the Middle East. He felt certain the United States would not commit the errors of which the British had been guilty.

General Eisenhower said he would like to skip from the subject of North Africa back to metropolitan France. In his view, the defensive strength of any country consisted of three elements—first, the spiritual and moral strength of a people and their will to resist; second, their economic and financial capabilities; third their actual military forces-in-being. The over-all strength of a country was not simply the addition of these three elements, but rather their multiplication. In other words, if a country were deficient in any one of these elements, the total net result would be deficient, since if you multiply something by zero, the result is zero. Chaban-Delmas said he agreed entirely with General Eisenhower and knew that General de Gaulle felt 100% the same way. It was for this reason that General de Gaulle and his Party believed that existing French leadership was not sufficient to build up the three factors which General Eisenhower had mentioned. It was for this reason that they believed they must come to power in order to achieve strength in these three vital areas.

General Eisenhower then said he would like to talk about the problem of Western Europe. At the present time there appeared to be two highly organized and developed large industrial complexes. One was the Soviet Union, which had harnessed the potential of the satellite states to the Soviet industrial complex. The other was the United States. Through the size of both of these complexes and because each had available to it many essential raw materials, the individual European countries were not in a position really to compete with them. Europe as a whole was deficient in essential raw materials such as oil, coal, etc., etc. If the European countries wanted to compete and make a living, it did not appear to General Eisenhower that they could be in constant competition with each other and with the United States and Soviet industrial complexes. He believed profoundly that what was called for was a European union which would enable the individual European countries to make maximum collective use of their individual capabilities. It was only by united effort that they would be able to preserve a reasonable standard of living and at the same time maintain that minimum defensive strength which was necessary if they were not to be left at the mercy of the Soviet Union. Many people thought that Americans such as he were naive when they talked about European union. Many Europeans felt that Americans over-simplified the problem and did not take into account historical and ethnical facts. General Eisenhower said the question of European union certainly posed many very great problems. However, if European union was a necessity for long-term European survival, there was no such thing as impossibility. Rather, the difficulties became obstacles which enlightened leadership, courage, and perseverance could most certainly overcome. Chaban-Delmas said he thoroughly agreed that European union was essential to the survival of Europe. General de Gaulle also believed this, and had taken the lead in stressing the need for European unification.

General Eisenhower said that before concluding, he would like to mention one other point—namely, the European Army. When he had first heard of the European Army concept, he had been very cool toward it. It was not a simple and easy concept to implement. As he had studied it further, and particularly as he had studied the problem of Germany, he had come to believe strongly that the European Army was the best and speediest and safest way to incorporate a German contribution to Western defense. Western Europe needed a defense line as far to the East in Germany as possible to give the necessary depth. It would be unthinkable to have Germans defended by allied forces with the Germans sitting calmly on their hands and doing nothing to contribute to their own defense. It was also unthinkable to let Germany rearm independently, with no

control whatsoever. If this occurred, the Germans might be disposed to play the Soviet Union off against the West, or in the pattern of the Molotov-Ribbentrop agreement, Germany might make some sort of alliance with the Soviet Union for tactical reasons. If this should ever occur, the defense posture of Western Europe, and indeed of the free world, would be very difficult, to say the least. What was needed was a plan which would permit Germany to make an adequate contribution to Western defense and at the same time would tie Germany solidly and effectively in with the Western world. He believed the European Army plan was the only solution which we now have which would result in what we desire to achieve.

Chaban-Delmas said he agreed thoroughly with General Eisenhower but that what was first needed was political integration through the formation of some supra-national body which would unite Western Europe. General Eisenhower said he felt this was a little bit like the question of which comes first, the chicken or the egg. He believed that time was of the essence and that we should move forward now in the next several months and create the European Defense Community so that we could get ahead with the job of bringing in a German contribution. Insofar as he was concerned, there was no reason why parallel with this development, a European constitutional convention could not be called which would study and perhaps in a year's time report on steps which might be taken for real European political union. There was an opportunity for the Europeans to move forward concurrently in both fields. Obviously, it would take longer to create a real political union than it would to establish the European Defense Community, but the latter was most certainly a step in the direction of European unity as was the Schuman Plan.

General Chaban-Delmas said he personally agreed with General Eisenhower. (Subsequently, he said to Mr. MacArthur that he felt the Gaullist Party had been wrong in systematically opposing the European Army, and that perhaps it should take a new look at its position and develop one favoring the European Army, while continuing to attack the government for not pressing ahead rapidly enough with a real European union. He said the General's remarks had caused him to reflect and he would wish to think and talk to some of his friends about this problem.)

General Eisenhower, in conclusion, said he had enjoyed very much his conversation with General Chaban-Delmas. General Chaban-Delmas was young, energetic, and seemed to have great understanding of the necessity of unity and collective action. In the coming years, he would expect to see his name become more prominent in the French and international press as an advocate and de-

fender of collective allied action and as one who was tolerant and understanding of the viewpoints of his different allies.

Chaban-Delmas replied that if by stepping out of the political picture tomorrow he could further collective action, he would do so immediately. He had no political background, having originally selected the civil service (finance) as a career. However, he had turned to public life because he believed France needed people who wished to come to power not simply to be a minister in a government, but to use their power for the greater good of France and the Western alliance. He said he had been greatly honored to be received by General Eisenhower and would treasure always his opportunity of having such a full and frank discussion with the General.

No. 514

EUR files, lot 59 D 233, "Letters—France, Jan.–Aug. 1955"

The Counselor of Embassy in France (MacArthur) to the Deputy Assistant Secretary of State for European Affairs (Bonbright)

PERSONAL AND SECRET PARIS, April 5, 1952.

DEAR JAMIE: I enclose a memorandum, which I dictated in considerable haste, of a conversation between General Eisenhower and General Koenig. It occurred at a small informal luncheon where there were four of us present (i.e., Generals Eisenhower, Gruenther, Koenig, and myself). While Koenig is an old comrade-in-arms of the General and served under him both in London and Normandy, as far as I was able to ascertain, Koenig's approach was quite negative. In essence, he says nothing can be done until de Gaulle comes to power on his own terms.

The object in having Koenig come to SHAPE, insofar as we were concerned, was to try to exercise influence so that the absolute hostility of the Gaullists to the European Army might be somehow shaken. We did not make one single inch with Koenig and it was clear in my mind that the root of General de Gaulle's and Koenig's opposition to the European Army is that it will mean the disappearance of a French national army. This is very difficult for any French general to swallow.

You may wish to pass this along to Ridge. [1] I particularly invite your attention to the fact that you will be having Koenig in Washington in May on a trip whose main purpose is to try to sell the

[1] Ridgway B. Knight.

RPF to our people. You and possibly David Bruce would be interested to know that at one point of the conversation, General Eisenhower asked whether Koenig had explained his views to David. Koenig replied that he liked Ambassador Bruce and that he saw him from time to time socially, but that he had the feeling the Ambassador and the Embassy were reticent about seeing him because of his association with General de Gaulle.

It was good to see you over here, and we only regret that your trip was so brief. This carries with it every good wish and all the best. [2]

Yours ever,

DOUG

[Enclosure]

Memorandum of Conversation, by the Counselor of Embassy in France (MacArthur)

SECRET [PARIS,] April 2, 1952.

Participants: General Eisenhower,
General Gruenther,
General Koenig, French Deputy from the Bas-Rhin,
Mr. MacArthur.

Several days ago General Koenig wrote General Eisenhower saying he would be very glad to call upon him. In reply, General Eisenhower invited General Koenig to lunch with him today. In the course of the conversation, General Eisenhower expounded his views on the role of leadership which France should play in continental Europe and his conviction that in the long run, European union was essential if the European countries were to be able to maintain an adequate standard of living while at the same time maintaining adequate military forces for their defense. He pointed out that the continental European countries could only do this if they made maximum collective use of their own individual economic, financial, productive, manpower, etc., capacities. General Eisenhower thought that France could take the lead in organizing a unified Western Europe.

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[2] In a reply to MacArthur dated Apr. 11, Bonbright acknowledged receipt of this letter and commented that "with the experience of the past ten years under our belts, it seems to me that one thing which remains unchanged in this changing world is the attitude of the Gaullists, at least those of the hardcore. I must say, however, that I take considerable satisfaction in the signs of strain within the RPF party itself." (EUR files, lot 59 D 233, "Letters—France, Jan.-Aug. 1955")

He expressed the strong view that it was essential to get along with the signing of the European Defense Community Treaty in the next month. The signing of this treaty should not await the organization of a European federal political union, which would obviously take at least a few years to work out. However, the EDC was a step in the direction of European unity and should be implemented now, while the situation in terms of Germany was probably as favorable as it would ever be. At the same time, the participating European countries could organize some forum where they could study the problems of political union and come up with a plan for governments to examine perhaps in a year or eighteen months. General Eisenhower concluded by saying Germany will not continue to drift indefinitely between East and West, and that Adenauer, who was well-disposed toward European unity and affiliation with the West, will not remain in power indefinitely. Even now, the German Social Democrats and the neo-Nazis are both chipping away and endeavoring to undermine his position. We should, therefore, press ahead rapidly, and by signing the EDC Treaty tie Germany solidly and irrevocably in with the West.

Koenig said that while he agreed with General Eisenhower, it was naive to believe that the present French leaders would ever do anything constructive. He said they were nice, amiable gentlemen, but that they lacked character and that to them politics was an end in itself, instead of means of coping with France's ills. He asked for General Eisenhower's candid opinion on the French Government, saying that he could not believe anyone had any confidence in it since it constantly made promises which it never fulfilled. For example, Moch had promised 15 divisions by December 1951, and France had only produced about half that number. General Koenig said that when a government committed itself it should do so seriously and not make lighthearted promises which it had no intention of keeping.

General Eisenhower said the question of a government being able to meet its plans frequently depended on financial and economic quesions, on which he, General Eisenhower, was not in a position to pass judgment. If the reports on France's economic and financial situation which he read in the papers were accurate he could understand how and why they had been unable from the financial end to do what they had said they would do, particularly in view of the increasingly heavy financial burden in Indochina.

Koenig said he agreed there might be financial difficulties which would prevent a government from meeting a commitment, but this was not the case in France, where lack of leadership, incompetence, and fumbling had been responsible for a very considerable part of the slippage. He again said that France could never fulfill

the role of leadership which General Eisenhower envisaged for it, with the present leaders. Messrs. Pleven, Pinay, Reynaud, Auriol, etc., were all pleasant and amiable politicians, but they would never give France real leadership.

He said that from the military point of view, de Gaulle and the RPF insisted that the government should increase the number of officers and non-commissioned officers in the professional army; that it should increase the term of military service to 24 months; that it should instill in the French armed forces real morale and will-to-fight by seeing that they were properly organized, trained, and equipped. These were military conditions for the entry of the RPF into a coalition government. Unfortunately, the other parties were unwilling to accept these conditions because of the Socialists, who were at heart anti-anything that had to do with the military. Recently, Paul Reynaud had sounded out all the parties to find out if a government of national union could be formed. Reynaud made no mention of it being headed by de Gaulle, and the presumption was that someone else, possibly Reynaud himself, might head it. The RPF had been willing to participate, but the Socialists had refused to enter any government in which the RPF joined because they would not agree to the military conditions de Gaulle felt were essential to France's security.

Referring to General Eisenhower's views on European Union, General Koenig said General de Gaulle strongly favored such union. He did not, however, favor the European Defense Force. In any event, steps for European military integration could only be taken after there was a political union through which political agreements had been reached. Insofar as the RPF is concerned, it does not object to a German national army.

General Eisenhower said that while the RPF might not object to a German national army, Adenauer had objections, fearing that there might be a rebirth of German militarism. Furthermore, General Eisenhower had the feeling that the French people were opposed to a German national army. Koenig did not dispute this point, but simply said that de Gaulle was strongly opposed to the European Army because it would mean the disappearance of the French national army. This was unthinkable.

General Eisenhower said Koenig had said that General de Gaulle was for European union. If this were really true, why did he not support steps in this direction which the present government was taking? Koenig replied that the present government would never achieve any real steps in the direction of European union because of the incapacity of the present leadership and that therefore there was no point in the RPF's supporting a government which had a

policy of the lowest common denominator and would never produce constructive results.

General Eisenhower said he was discouraged and disappointed in what General Koenig said. He felt that the survival of France and Europe were at stake. General Koenig gave him the impression that playing politics was more important than survival. Koenig replied that it was the present French leaders and not the RPF who were playing politics. The RPF would not lend itself to this and would remain a party which had only France's interests at heart.

In conclusion, General Koenig said he was going to the United States in May to attend the West Point Sesquicentennial and that while in the United States would make occasion to see a few prominent Americans in public life to get across to them General de Gaulle's real views, which he felt were sadly misunderstood in the United States.

No. 515

EUR files, lot 59 D 233, "EUR—Subject files II"

The Counselor of Embassy in France (MacArthur) to the Under Secretary of State (Bruce)

TOP SECRET AND PERSONAL PARIS, May 1, 1952.

DEAR DAVID: With reference to my letter of April 25, [1] I enclose a Memorandum of Conversation prepared by Dick Walters summarizing General Eisenhower's conversation with General de Gaulle last evening when General Eisenhower was the guest of honor of the Order of the Liberation. The Memorandum prepared by Dick Walters has had no clearance, and General Eisenhower has not seen it so it has no standing but represents, I believe, a good résumé of the conversation.

When General Eisenhower arrived at the building which is the headquarters of the Order of the Liberation, General de Gaulle came out on the sidewalk to greet him as he stepped from the car. They then proceeded into the building and General de Gaulle led them to a salon where he, General Eisenhower and Colonel Walters were closeted during the conversation set forth in the attached

[1] MacArthur's letter informed Bruce of General Koenig's initiative in organizing this dinner and concluded that "it is probably a good thing that the two men can meet prior to General Eisenhower's departure." (EUR files, lot 59 D 233, "Letters—France, 1950–1955") Eisenhower wrote President Truman asking to be relieved of his post as Supreme Commander in Europe by June 1 and this request was accepted. Gen. Matthew B. Ridgway succeeded General Eisenhower as Supreme Commander.

Memorandum. They then joined the other guests (General Juin, General Koenig, Admiral d'Argenlieu and Andre Poniatowski) for dinner.

Dick Walters tells me that the whole atmosphere was the most extraordinary thing he has ever witnessed. General de Gaulle was completely relaxed, was witty and filled with charm; as Dick put it "even Tony Biddle couldn't have put on a better act". Apparently the whole atmosphere was informal and very friendly.

You will note that General Eisenhower took the initiative at the beginning of the conversation by making reference to de Gaulle's anti-American statements. Dick Walters said that he fully expected de Gaulle to show some signs of stiffness or resentment when General Eisenhower opened fire on him point blank as it were. No such thing happened. De Gaulle nodded and indicated that he fully understood General Eisenhower's point of view and then went on to develop his reply.

While I have no illusions about de Gaulle and his Party, I do think that the meeting served a very useful purpose, and I believe that at least some of General Eisenhower's observations will remain with General de Gaulle.

This is written in great haste to catch the outgoing pouch, but carries with it every good wish and all the best.

I am enclosing copies of this letter and the memorandum for George Perkins, Jamie Bonbright and Ridge Knight. You might also wish to show this to Doc [2] who has had some experience with this gentleman in the past.

Yours ever,

DOUGLAS MACARTHUR II

[Enclosure]

Memorandum of Conversation, by Lieutenant Colonel Vernon A. Walters

TOP SECRET [PARIS,] April 30, 1952.

Place of Conversation: Seat of the Order of Liberation

Participants: General Dwight D. Eisenhower
General Charles de Gaulle
Lt. Colonel Vernon A. Walters

After expressions by both Generals of their satisfaction at having this opportunity to meet and talk informally so that they could

[2] H. Freeman Matthews.

know what was in one another's minds, General Eisenhower said that one thing which had been bothering him had been the intimations in statements and speeches of General de Gaulle's that would indicate that the U.S. troops who were in France were here as "occupation forces" or were in other ways unwelcome. He said that it was difficult enough for Americans to convince U.S. public and Congressional opinion of the need for sustaining the American effort in Europe and voting the foreign aid appropriations. The soldiers who are here would prefer to be at home. They felt they were doing a service for their country and for freedom by serving here. General de Gaulle replied by saying that to understand his point of view General Eisenhower, who was a citizen of a great, powerful nation, must understand that he, General de Gaulle, saw his nation, which had been great, now greatly reduced in power. He felt it necessary to constantly remind the French people that they must be independent and strong; independent even with their allies. If they lost this love of independence, they could never become a powerful partner for the United States. He was greatly distressed by the weakness of the State in France under the present system. He said quite frankly that he wanted to change that system. As it now stood, it provided no continuity or opportunity for leadership. When he made the statements which he did, it was not to attack the U.S. but to help him in his struggle to achieve this change. General Eisenhower asked General de Gaulle to remember that his words were heard on the other side of the ocean also, and to think of the effect they might have there. He said that as far as the necessity of the stability of France was concerned, he was likewise convinced that it was essential when a party had been elected to power that it be able to exercise that power.

General de Gaulle then said he would like to mention one or two other points. He said that in Africa the French had sometimes been wrong and sometimes been right, but nevertheless France needed that portion of Africa which was associated with her. There were reforms which would have to be carried out, but in the framework of those reforms the French hoped that this portion of Africa would remain with them, as it was a prerequisite for their own greatness, and because they felt so strongly about this that anything which they interpreted as being interference or trespassing on their rights made them "leap into the air, and particularly myself", added General de Gaulle.

General Eisenhower replied that he presumed the General was referring to the alleged activities of some U.S. Consular personnel in the North Africa area. General Eisenhower said that it was a tradition in the State Department which he did not believe would

be changed that their officials would be free to receive anyone who was not a criminal or a member of some outlaw group, but likewise the State Department condemned any interference by any American whatsoever in the internal affairs of any other nation. He did not believe you could stifle the wave of nationalism in any of these countries, but hoped that the Arabs would realize that they could not make a living by themselves and needed the French as much as the French needed them. The only desire of the U.S. was for stability in this area and for the French and native populations to work increasingly closer together for the mutual benefit of both.

General Eisenhower returned to the subject of the inferences against the presence of U.S. troops in France and said that everything should be done to avoid assisting the Communist poison in this respect. The presence of these troops was a visible commitment that the U.S. would be present from the beginning if anything did occur and not wait as they did in 1914 and 1939.

General de Gaulle said he was very happy to hear these views of General Eisenhower's concerning North Africa and with respect to the presence in France of U.S. troops—he said, "If these troops were not here, the Soviets would be at the Atlantic and there would be a Communist government in Paris". General de Gaulle then said that he felt that the Atlantic alliance, and primarily the U.S.-French alliance, was absolutely essential. Measures should be taken against the Communists, but the present government was too weak to do this. That is why he wanted to change the present system.

General de Gaulle then said there was the question of the Germans. He mentioned he had been one of the first to advocate an "entente" between France and Germany. This would be the greatest contribution that could be made to Europe and perhaps to the world, but it must be done in such a way that the French people would not fear the Germans. General Eisenhower said that he felt that Europe in the long run could not earn its living without a closer federation, particularly in the economic field. He felt that the European Defense Community was the best way of obtaining a German contribution while maintaining the necessary safeguards. General de Gaulle interjected that a federation between France and Germany was absolutely essential. General Eisenhower said that France, as the keystone of the European arch with her long tradition of bold and imaginative leadership, could seize an extraordinary opportunity by taking the leadership in this moment—so to speak, grasping the flag and moving out in front. If she did this, she would never fear the Germans, because the federation would be something which she had brought about.

General de Gaulle then asked General Eisenhower whether, very broadly speaking, he felt we should adopt an offensive or defensive strategy in the Far East. General Eisenhower said that, broadly speaking, because of the problem of the 400 million Chinese, the vast area of China, and the necessity of building up adequate strength in Europe, he felt a defensive strategy was probably indicated. General de Gaulle asked General Eisenhower's opinion concerning Indochina. The latter replied that Japan seemed to want to be with the West, and to live she had to trade with the whole South East Asian area—Indochina, Formosa, Malaya, Indonesia, etc.—Indochina was the barrier to the advance of Communism into South East Asia, and therefore it was absolutely essential to keep the stopper in the bottle in Indochina and to make sure that that stopper was strong; the fighting in Indochina was not a colonial episode, but a tactical battle in the great strategic world struggle against Soviet dictatorship. General de Gaulle said he was very happy to hear these words from General Eisenhower.

General Eisenhower said that during this converation he felt that one of the things at which General de Gaulle had been hinting was the question of prestige. He himself felt that the NATO nations should support one another and build up one another's prestige and not "go around cutting one another's throats". General de Gaulle replied, "You have put your finger right on the heart of the problem".

General Eisenhower said that he felt that while General de Gaulle and he might differ on points like the European Army, he felt that the important thing was to agree to understand the importance of the alliance between France and the U.S. within its NATO framework and to work with self respect, but also with mutual respect and particularly understanding. General de Gaulle said, "I could not agree with you more. I am most happy to have had this talk".

No. 516

751.5 MSP/5–852: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, May 8, 1952—7 p. m.

6905. Cotel. Defense for Frank Nash.

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[1] Repeated to Heidelberg for Handy, Wiesbaden for USAFE, and London for NPO.

1. French Govt has presented country team with detailed memo [2] concerning additional OSP which the Fr Govt requests be made in Fr for reasons set forth para VI of Lisbon memo. [3]

2. Program envisaged by Fr amounts to approx 216 billion francs ($616 million) spread over several years. Payments scheduled as fols: 1952—$106 million; 1953—$303 million; 1954—$164 million; later—$43 million.

3. Items which Fr suggest that US purchase include following: 300 MD–452 jet aircraft; 80 Nord 2501 cargo aircraft; 118 artillery observation planes; $7.5 million of radio and radar equipment; $8.7 million of aviation ammunition; 680 armored reconnaissance cars; 835 13-ton tanks; various sizes artillery amo; 150 Sea Venon aircraft; 20 cargo aircraft; 15 jet trainers.

4. Contracts authority for foregoing items had been granted by previous Fr legislatures; items are included on provisional basis in current Fr military budget under caption "to be cancelled if not purchased by US under offshore program".

5. In explaining memo to us, Clermont-Tonnerre of French Interministerial Comite indicated that although 216 billion francs ($616 million) is figure given in memo, minimum Fr requirement would be covered by purchases amounting to around 170 billion francs (about $500 million). Reduction to reach lower figure will be explained to us later.

6. Clermont-Tonnerre confirmed Pleven's statements to Natl Ass. (Embtel 6874, May 7 [4] and Tomus 434, May 6 [5]) as to urgent Fr need for this additional OSP. He stated that while equipment involved this production not related to 1952 Fr forces build-up, it is of utmost importance that Fr receive US assurances at earliest possible date that purchases along lines suggested can be undertaken; otherwise, Fr production of these items will have to be cancelled as of July 1.

7. Threat of such cancellations, added Clermont-Tonnerre, will place Pleven under great pressure in Assembly during debates later this month to re-adjust budget in a way that wld permit maintenance Fr production in order avoid adverse effect on Fr economic life including closing of plants, layoff of personnel, etc. Funds to do this cld only be obtained by reducing other mil expenditures, particularly those for maintenance of troops.

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[2] Not found in Department of State files.

[3] Transmitted to the Department of State in Document 507.

[4] This telegram summarized press reactions to Pleven's report to the Defense Committee of the National Assembly concerning French need for extra military aid. (951.61/5–752)

[5] This telegram discussed Pleven's report as related in the press. (751.5 MSP/5–652)

8. It was emphasized that Fr do not necessarily desire the immed letting of contracts or obligation of funds by US. Assurances of US willingness to undertake all or most of purchases suggested wld be sufficient to permit Pleven to reassure Assembly that important programs wld not be cancelled.

9. Country team proceeding undertake detailed analysis of Fr proposals; we will hold series of discussions with Fr to obtain full supplementary info. Details of Fr proposals with our comments and recommendations will be forwarded as soon as possible.

DUNN

No. 517

Editorial Note

Representatives of the United States, France, the United Kingdom, and the Federal Republic of Germany met in Bonn May 23–26 for a series of meetings which led to final agreement on the terms of the contractual agreements ending the Allied occupation of Germany. Secretary Acheson, heading a large delegation from the United States, signed these agreements in Bonn on May 26 along with Foreign Minister Schuman, Foreign Secretary Eden, and Chancellor Adenauer. For documentation concerning these contractual agreements, see volume VII, Part 1, page 1 ff.

Following the signing ceremony in Bonn, Acheson traveled to Paris to participate in the signing ceremonies, May 27, for the treaty establishing a European Defense Community. For documentation on United States efforts to encourage signing of the EDC Treaty, see volume V, Part 1, pages 571 ff. While in Paris, Acheson held a series of bipartite and tripartite meetings with representatives of the United Kingdom and France. On Tuesday, May 27, the day of the formal signing ceremonies, Acheson had a luncheon meeting with Schuman; no record of this conversation has been found in Department of State files. During the morning of May 28, representatives of the United States, the United Kingdom, and France held a meeting at which they discussed Indochina and matters relating to Germany. For the minutes of the first part of this meeting, which concerned Indochina, see volume XIII, Part 1, page 157; for a summary of the second part of the meeting, transmitted to the Department of State in telegram 7397 from Paris, May 28, see volume VII, Part 1, page 255.

During the afternoon of May 28, bipartite talks were held with the French concerning North Africa. Following this meeting, Acheson met with President Auriol and then attended a second bipar-

tite discussion with the French; records of these meetings are printed *infra* and Document 519.

Numerous position papers were prepared in the Department of State in preparation for these tripartite and bipartite talks. Copies of these papers are in Conference files, lot 59 D 95, CF 109–110.

No. 518

662A.00/5–2952: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, May 29, 1952—3 p. m.

7432. From the Secretary. Secy called on Pres Auriol 7 p.m. May 28 remaining for half an hour. Accompanied by Amb Dunn and Knight who acted as interpreter.

Salient aspect was emphasis placed by Auriol on Fr fears, which he fully shares, of rebirth strong, aggressive and adventuresome Ger. Referring to Germany's comeback in psychological as well as material fields during past 5 years, this compares favorably with her evolution in 12 years after First World War. Pres said his greatest fear was that FedRep wld withdraw from EDC when militarily strong enough to do so, unite her forces with those of East Ger and then seek to inveigle us into some adventure to recover her lost eastern provinces. He contrasted "moderate" Fr irredentism after 1870 which Fr never permitted to become *casus belli* with that which we can expect of Prussia. Prussia inflexible and will never forget; Prussia always has been and will be again soul and backbone of Ger.

Auriol expressed regret that Schuman had been unable to convince Secy in Bonn re reparations out of current production and in somewhat vague manner sought demonstrate inequitable econ burden thus placed on Fr shoulders.

Secy thanked Pres for his views and told him that he had given considerable thought to them as at last mtg Pres had expressed himself in similar vein. Secy outlined alternatives which faced US in connection with Ger none of which represented course of action which enthuses US. However, choice we made seemed to be wise one as other courses action definitely more dangerous. Secy assured Pres that we wld remain alert and fol evolution Ger with great care. Re SPD and Schumacher which worry Auriol greatly Secy told him that at some time we might be obliged to take joint action

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[1] Repeated to Bonn.

with our Allies warning that party's policies and actions transcended purely internal plane.

Pres ended conversation by stressing the dangers of seeming to grant a monopoly of negotiating initiatives to USSR especially now when West is in stronger position and shld therefore be more willing to talk. He made fuzzy suggestion that Ger be somehow internationalized under an internatl guarantee "mil or legal" to be worked out by all of Ger's neighbors "probably through UN". Secy agreed re his concern about public opinion being led to believe that Sovs be permitted appear as only party desiring to negot, but pointed out extreme practical difficulty internationalizing a country over long term when this country fundamentally opposed.

Pres Auriol sent warmest messages to Pres expressing again deep appreciation for welcome he had recd from US Pres and people last year. [2]

[DUNN]

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[2] For documentation concerning President Vincent Auriol's visit to Washington, Mar. 28–Apr. 2, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 348 ff.

No. 519

Conference files, lot 59 D 95, CF 108

United States Delegation Minutes of the French-United States Discussion at the Quai d'Orsay, Paris, May 29, 1952, 3:30 p.m. [1]

SECRET [WASHINGTON,] June 10, 1952.

Participants: *France:*
Prime Minister Pinay
Foreign Minister Robert Schuman
Defense Minister Pleven
M. Letourneau
Mr. Maurice Schumann
Mr. Montel
Mr. Gaillard
Mr. Parodi
M. de Margerie
General Lecheres
M. Alphand

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[1] These minutes, presumably drafted by officials of the Department of State upon their return to Washington, were circulated as document SCEM Min 4. Regarding the background and preparations for this talk, see Document 517. A summary of this meeting was transmitted to the Department of State in telegram 7482 from Paris, May 31. (751.5 MSP/5–3152)

M. de Clermont-Tonnerre
M. Charpentier
M. Wormser
M. Mertinet
M. Ratineau, and others
U.S.:
The Secretary
Ambassador Dunn
Ambassador Draper
Ambassador Jessup
Mr. Perkins
Mr. Nash
Mr. Labouisse
General Richards
Mr. Knight
Miss Kirkpatrick
Mr. Timmons

Mr. Pleven as Minister of Defense opened the discussion with a lengthy statement along the lines generally familiar. He said that he would like to say a few words regarding the implementation of the policy which arose out of the discussion held in Lisbon last February. On February 25 the French and US Governments, over the signature of Messrs. Acheson and Schuman, had agreed on a memorandum [2] dealing with French military expenditure for 1952 and the amount of US financial aid to be made available in support thereof.

Mr. Pleven said paragraph 6 of the Lisbon Memorandum of Understanding recognized the fact that the agreed program of 1400 billion francs would entail cancelling a certain number of contracts for military equipment and also that generally speaking no new orders could be placed. This meant that France's armament industry would be brought to a very low level. It was therefore agreed at that time, Mr. Pleven said, although there were no legal commitments entered into by the US, that the US would examine the possibility of offshore purchases in addition to those already decided upon for Indo-China. The French Government was to give the US Government a list of items of equipment which were already in production or which could be produced quickly. This policy, Mr. Pleven continued, was quite in line with the recommendations of the TCC Wise Men which were approved by the NATO countries, and which stressed the usefulness of offshore purchases and the necessity of placing contracts as quickly as possible. The TCC report

[2] Transmitted to the Department of State in Document 507.

also pointed out that there was a greater possibility for offshore purchases in France than elsewhere in Europe. A figure of $1 to $2 billion was mentioned for the period 1952–1954. In the comments made by the US Government on the TCC report, Mr. Pleven said, mention was made of some prior conditions which would have to be fulfilled in order for offshore purchases to be possible. The US Government stressed the necessity of settling certain fiscal problems, and of reaching bilaterial agreements concerning facilities granted to the US. Shortly after the Lisbon meetings, Mr. Pleven said, the French Government set themselves to the task of meeting these requirements, so that now there are agreements on both the fiscal problems and on the facilities to be granted. In addition, the administrative procedures had to be settled.

Mr. Pleven said that as they had agreed to do, the French Government gave the US representatives in Paris a list of orders that would be cancelled if it were not possible to replace French Government orders with offshore purchases. It was on these contracts, Mr. Pleven indicated, that he wished to dwell for a moment. The list in question shows in many cases the items affected will be items of essential equipment. If the contracts are cancelled, there will be a crisis in the French armament industry, the social, economic and financial consequences of which cannot be exaggerated. A whole part of the aircraft program passed by Parliament in 1950 might be brought to a sudden stop on July 1, 1952. This would particularly affect interceptor, transport and jet aircraft. Two out of the four big nationalized concerns would have to be closed down and the same would apply to a well-known private firm (Hispano Suiza). As regards the Army, the cut would hit mostly light tanks and armored vehicles, and a considerable part of the artillery program. As for the Navy, production of carrier borne interceptor aircraft to be used by NATO would have to stop. All of these factors had been pointed out to the US representatives by Mr. Bourges-Maunoury in Lisbon last February. The Lisbon agreement had been signed on February 25 and over three months have elapsed since that time. Although the French Government has been able to defer the debate on the budget until June 10, Mr. Pleven said, the debate would open under very unfavorable conditions if the French Government were not able to give Parliament at least some idea of the minimum volume of offshore purchases that France can hope for, even if only from the credits involved in the US fiscal year 1951–1952 exercise. The French budget has been set up in conformity with the Lisbon commitments, including infrastructure. Parliament will be sorely tempted to use part of the infrastructure or other funds to prevent plants being forced to close down, unless the French Government is able to tell Parliament that sufficient off-

shore orders will be placed in time to avoid such an outcome. Mr. Pleven went on that he would like to say frankly that the greatest consideration should be given by the US agencies concerned to the political considerations involved in OSP. The whole offshore procurement problem is part of the general framework that was referred to yesterday in the discussion of Indo-China, and it is obvious that equilibrium inside the EDC calls for sufficient production of armaments and aircraft in France to meet at least a large part of the needs of the French contribution to EDC—so that France would not have to rely solely, in the future, on US or German deliveries.

The Bonn and Paris agreements now enable Germany again to produce items of military equipment. Politically it would be inconceivable, even unthinkable, Mr. Pleven said, that French armament factories should have to close down just when German armament factories are beginning operations. It is in direct interest of the EDC and the whole of NATO (especially for the US forces, so far from their home bases) that there should exist in France the necessary industrial facilities for maintaining and repairing military equipment. It is equally essential that it should be possible to produce in France the necessary spare parts for aircraft and to carry out the heavy maintenance of aircraft. In any case this would reduce expenditure which would have to be incurred otherwise. Mr. Pleven said that he fully recognized the fact that the US entered into no legal commitments at Lisbon regarding the offshore purchase of the items now under discussion, nor were any dates fixed by which the US consideration of the problem would be terminated; however, the time for quickly reaching a decision had now come. Mr. Pleven said he did not mean that the detailed contracts should now be signed but rather that the French Government should know on what minimum volume of orders it could rely out of the US FY 1951–1952 funds, as well as the possible order of magnitude of purchases that might be made from FY 1953 funds. Mr. Pleven concluded by saying that the main objection which the ratification of the EDC treaty will encounter is that Germany will attain military hegemony in Europe. The only possible answer to that charge will be to see that all measures have been taken to assure that France's military forces (her contribution to the European Army) will be as strong and well-equipped as possible. He was convinced, Mr. Pleven said, that it is in the French and in the US interest that such a state of affairs should be reached rapidly.

The Secretary said that considerable progress has been made in the field of offshore purchases, and that there is very little difference of opinion between the two Governments concerning the prin-

ciples involved. He wished to mention, the Secretary continued, some of the points on which progress has been made since the Lisbon meetings, and which has proved most useful. One point, which had not yet been raised in the present discussion, concerned the agreement reached about the volume of offshore purchases in relation to the 1952 military budget, that is, the $200 million program agreed at Lisbon.

Some contracts had been signed within the last few days, the Secretary said, and the rest will be signed within the next two weeks or so. This particular undertaking is going well and therefore gives us no concern. While this has been going on, the two Governments have been studying what other orders could be placed. Yesterday an important contract for naval vessels was signed, and a large ammunition order has been opened to bids. The Secretary said that other discussions are being pursued and that what has been done already has been done well and quickly. With regard to the questions mentioned by Mr. Pleven, the Secretary said that he had indicated to Mr. Pleven in Lisbon that certain preliminary tasks had to be accomplished. It had been first of all necessary to determine what defense production would be financed by the French budget in 1952 and what would not, and also to prepare the list of equipment which the French Government wished to suggest for offshore procurement. The Secretary said that he understood that this work had been completed by the French Government some three weeks ago, and that the necessary information had been made available to the American Government. The list of items for which the French Government had requested offshore procurement had been studied earnestly by the US officials here in Paris and also by Mr. Nash, who was returning to Washington that evening. The Secretary went on to say that the US side knows the necessities of time and would try to meet them. The US would attempt to give the French Government some indications, some lines of guidance, as to what is possible, what is not possible and what items might require further discussion. The Secretary said that the French and the US Governments agree in general on the principles that had already been mentioned by Mr. Pleven. With regard to the Mutual Security legislation now before Congress, Mr. Harriman and Mr. Lovett had appeared before Congressional committees and explained energetically why it is best whenever possible to place orders in Europe. They had explained that building up the European armament industry, and particularly French industry, would enable equipment to be replaced and spares to be produced in France, thereby avoiding future dollar difficulties. The principle of offshore procurement had been very well received by the Congress. The current legislation before the House of Representatives

provides for $1 billion, out of the funds to be available for the purchase of military equipment, to be used for purchases outside the US. This raises a question which applies to certain items of equipment, the question of prices. It is obvious that if military equipment is less expensive in Europe than in the US then no question arises.

Questions do however arise when such equipment is more expensive in Europe than in the US. There is no difference of opinion between the two Governments on that score, the Secretary said; he was sure that the French Government is as concerned as the US in having French prices at a level at which OSP purchases will not only be desirable but also economical. The two Governments are in complete accord, the Secretary continued, on another principle discussed by Mr. Pleven, that of the maintenance of an appropriate balance between the French and German armament industries. The Secretary said that he understood that such a balance is a basic necessity for the EDC undertaking, that he realized the underlying reasons, and that the practical success of the recent accord rests thereon. The necessity of maintaining such a balance applies not only to the armed forces but also to production facilities. In all of these things, the Secretary said, the US wishes to support EDC and NATO policy and findings, such as in the TCC and annual reviews. The US has no separate and distinct policy in this regard. The Secretary went on to say that it would be outside his field to discuss any individual items in the French Government request for OSP. Some of these may raise specific questions, particularly the problem of prices already discussed. He was sure, he said, that the aim was a common one and he was certain that the Department of Defense and the Mutual Security Administration would give their best consideration to the French Government's request, and would see that Paris is informed as quickly as possible about the decisions that may be reached in Washington. The Secretary concluded this part of his statement by saying that the Senate last night passed a bill which did not differ greatly from the recommendations made by the committee reporting the Mutual Security legislation. The House of Representatives had, however, made a serious reduction in the appropriation request. The next step therefore is for the bill to go to conference. [3]

Mr. Pleven said that he wished to thank the Secretary for his agreement on the principles involved, that is, the necessity for maintaining in France an armament industry which is alive and active and in equilibrium with the German armament industry.

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[3] For information concerning the Mutual Security Act of 1952 and its revision by Congress, see Document 263.

Mr. Pleven said that he did not refer earlier to the $200 million offshore purchase transaction that had been agreed in Lisbon as this concerns mainly Indo-China. He wished to confirm that the first such contracts had already been signed and that the others are going well. He said that the contracts signed yesterday concerning naval vessels fall into a somewhat different category, as this equipment will replace equipment to be delivered from the US under the end-item program.

The main French concern now, Mr. Pleven said, is the time factor, particularly as far as the production of aircraft is concerned. France has a modern interceptor fighter and the equipment necessary to produce it has already been obtained. But if the French Government does not know what the US decision is before July 1, Mr. Pleven said, a very serious risk will be run which he had already explained to American representatives, the consequences of which will very likely not be tolerated by Parliament. Mr. Pleven said that he realized the Secretary would not be able to give an answer today on the questions raised, but that he asked the Secretary to discuss the matter with Secretary of Defense Lovett upon his return to Washington, particularly with regard to the aircraft production problem, where a speedy decision is vital. With respect to prices, Mr. Pleven said he thought this problem was less important with regard to aircraft than perhaps other items of equipment. He wished to thank the US Government for the additional time that had recently been granted for the submission of bids on the ammunition order already discussed. As a consequence of this extension lower bids had been put in than had originally appeared possible. Mr. Pleven concluded by saying that the problem with which the French Government would be faced on July 1 still remained, and that he asked that some indication as to what the US Government would do about the French Government's offshore purchase request be given in time for the French military budget debate, which is scheduled for June 10.

The Secretary said that this gave very little time, and presented great difficulties, especially in view of the present status of the US Mutual Security legislation for FY 1953. The Secretary went on to say that all he could say now was that he and Mr. Nash would repeat to the appropriate persons in Washington what Mr. Pleven said, and they would try to get a decision as soon as possible. We will do the best we can, the Secretary said.

Mr. Montel (Secretary of State for Air) said that he wished to give a short exposé of the French aircraft situation. It is our purpose, he indicated, to give General Norstad the greatest number of aircraft possible against the commitment that France has undertaken. With respect to the French five year program for the air-

craft industry, at the end of 1951 this program was up to date. It involved the reorganization of the industry, based upon a minimum volume of production, and the cancellation of the present aircraft production plans would upset the entire program and would lead to unemployment. Mr. Montel said that present plans called for the production of some 1424 aircraft by the end of 1954. As against overall budget needs which had been estimated as follows, 290 billion francs (1952), 450 billion francs (1953) and 460 billion francs (1954), it was now estimated that financing possibilities would only allow expenditure of the following sums in the three years: 246 in 1952, 256 in 1953, and 270 in 1954. Thus the gap for 1952 would be 44 billion francs, the gap for 1953 would be 194 billion francs and for 1954, 190 billion francs. In concluding his statement Mr. Montel spoke of the great goodwill Secretary of the Air Force Finletter had shown during his recent visit to Washington. Mr. Montel said he was ready to go over at any time with us the details of the French Air Force problems in order to help achieve the greatest possible production.

In conclusion, Prime Minister Pinay thanked the Secretary warmly for having taken the time from an extremely busy schedule to remain in Paris for three days. The Prime Minister said he joined with Mr. Pleven in asking that on the Secretary's return he attempt to find the most practical and speediest solution to the urgent problem that they had discussed today.

The Secretary replied the greatest cooperation between France and the US was essential to success of all our present undertakings. He had been delighted to be in Paris and to have had a chance to study the questions which he and his associates had discussed with the Prime Minister and his colleagues.

No. 520

Conference files, lot 59 D 95, CF 108. Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, May 29, 1952—7 p. m.

7449. From the Secretary. After the second bilateral this afternoon [2] Secy and Amb Dunn congratulated Pinay on efficiency and firmness which French Govt displayed in supressing yesterday's disorders. Pinay answered that in acting as it did French Govt was not merely seeking to repress hostile demonstrations against Gen

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[1] Repeated to Moscow.

[2] See the U.S. Delegation Minutes, *supra*.

Ridgway [3] but to deal with what he considered to be a thoroughly organized program to break up the states internal apparatus of law and order. Yesterday's affair, said Pinay, much more than manifestation. It was organized throughout France and had many insurrectional characteristics. Disorders occurred in 30 French cities, the most serious being in Paris, Marseilles and Montlucon. PriMin said that his govt had reached the decision to deal with Commie insolence on first appropriate occasion and that yesterday marks initiation policy of action repression of Commies. Pinay made point that restoration of confidence which is his basic platform extends further than financial and economic fields and that confidence must also be restored politically and socially as well.

Pinay told Secy that govt was decided to keep Duclos in jail and to have him tried. [4]

DUNN

[3] Communist-sponsored demonstrations began in Paris on May 23 in protest against the arrival of the new Supreme Allied Commander in Europe, Gen. Matthew B. Ridgway, scheduled for May 27. Reports on these demonstrations, which led to the arrests of hundreds of people, are in file 751.001.

[4] On May 28, Jacques Duclos, a leader of the French Communist Party, was arrested and charged with attempts against the safety of the state. Duclos was subsequently released on July 1 when the courts determined that the government had not established proof of his active participation or complicity in the riots in Paris on May 28.

No. 521

751.5/6-1452. Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, June 14, 1952—6 p. m.

7826. Cotel.

1. In response urgent request by Pleven for info he cld use in connection his speech to Assem re mil budget (Embtel 7805, June 13 [1]), we gave Pleven on June 12 the fol informal memo:

Begin text. "1. The US has under active consideration the additional offshore purchase proposals which the Fr authorities submitted to the US on May 6. [2]

2. As was anticipated in recent discussions, it was not possible for the US to come to any firm decisions in this matter by June 10.

[1] Telegram 7805 summarized Pleven's speech during the budget debate in the National Assembly on June 12, a speech in which Pleven emphasized that France would meet its commitments in Europe and Indochina. (751.5/6-1352)

[2] For a summary of these proposals, see Document 516.

However, everything possible is being done to provide the Fr auths with some replies by July 1.

3. As has been stated, the US favors as a general principle offshore purchase of mil items in Fr. The program of offshore purchases under the Lisbon Agrmt is rapidly nearing completion. Also arrangements have already been agreed upon to purchase from Fr shipyards a number of ships whose total cost approximates $55 mill. Both of these transactions have been made from funds available in the US fiscal year which ends on June 30.

4. The type and amt of offshore purchases that may be effected from the funds for the next US fiscal year, beginning July 1, will of course depend on a number of factors. The legis which will provide these funds is still under consideration by the cong, and naturally any decisions re specific offshore purchases wld depend upon the availability of funds. In addition, the prices of the Fr items that have been suggested for offshore procurement will have to be compared to those for similar articles which are quoted in the US and other sources. Also the items suggested by the Fr auths for offshore procurement wld have to be considered as part of the US end-item program for Fr, and this involves a number of questions such as priorities of items within the overall programs, prities [*priorities*] as to delivery dates, etc." *End text.*

We believe this conforms to sense of Deptel 7256 June 9, [3] and not inconsistent with DA 910666, June 7 [4] (see Embtel 7722, June 11 [5]).

2. Mil Budget debate has been carried over to June 17. Both Fin and Natl Def Commissions have insisted during debate on necessity of govt submitting before July 15 report on effect US offshore purchases will have upon Fr def production program. Commissions explained that if, as result this report, transfers of credits are deemed necess, these shld be effected before July 31 (clear implication is that funds wld be shifted to def production at expense other categories of budget, e.g. infra-structure). Pleven has expressed hope he cld comply by July 15 with comites desire to have details on what US will do in OSP. Assem may well vote such a rider to mil budget bill.

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[3] This telegram informed the Embassy that examination of the French proposals was progressing well in the Department of Defense and that the Department of State foresaw no difficulty in having the U.S. reply ready by July 1 although it could not forecast the probable nature of the decisions. (740.5 MSP/6–952)

[4] This Department of the Army telegram informed the Chief of the MAAG in Paris of the tentative position of the U.S. Army on the French proposals. (751.5 MSP/6–752)

[5] This telegram recommended giving Pleven certain assurances regarding the U.S. attitude toward the proposed procurement before the procedures necessary to establish the form of the end-item program for offshore procurement were completed. (740.5 MSP/6–1052)

3. In light foregoing, it appears most urgent that Wash decision as to country team recommendations made Embtel 7455, May 29 [6] be reached by July 1, in order that we may be in position give Pleven sufficient details on which to base his July 15 statement.

DUNN

[6] This telegram is a detailed 7-page analysis of the May 6 French proposal by Embassy personnel in which they emphasized the "extreme importance" of political considerations that had to be evaluated in formulating a reply to the French. (751.5 MSP/5–2952)

No. 522

Editorial Note

Beginning on June 16, Jean Letourneau, French High Commissioner in Indochina and Minister for the Associated States, visited Washington for 3 days of consultations which resulted in an agreement whereby the United States would provide up to $150 million in additional aid for fiscal year 1953 in support of the overall French effort in Indochina. For documentation on this Letourneau visit, including summary minutes of the meetings of June 16 and 17, see volume XIII, Part 1, pages 183 ff.

No. 523

Editorial Note

In response to a request for advice from the Export-Import Bank concerning a proposed $200 million credit to France, the National Advisory Council approved consideration of this credit at its 194th meeting on June 9. On the recommendation of the Staff Committee, contained in NAC document No. 1325, the action was approved without discussion. The minutes of this 194th meeting and the Staff Committee document are in NAC files, lot 60 D 137.

On June 25 the Export-Import Bank announced its decision to extend a $200 million credit to the Republic of France in order that France could receive immediately dollar proceeds of contracts being placed in France under the provisions of the Mutual Security Program. For the text of this announcement, see Department of State *Bulletin*, July 21, 1952, page 105.

No. 524

Editorial Note

During Secretary Acheson's visit to London in June 1952, a series of ministerial talks was held with representatives of the United Kingdom and France. Tripartite talks in the morning and afternoon of June 27 concerned matters relating to Germany, Korea, and Indochina. For a summary of the talks regarding Germany, transmitted to the Department of State in telegram Secto 26, June 28, see volume VII, Part 1, page 275; for a summary of the discussion concerning Indochina, see telegram Secto 27, June 27, volume XIII, Part 1, page 212.

On the morning of June 28, Acheson and Dunn met with Robert Schuman to discuss numerous subjects of common interest, including Ambassador Kennan's views of Soviet behavior, a reply to the Soviet note, the defense of Southeast Asia, and North Africa. The minutes of this meeting (MTL CONV–5) and a summary of the discussion transmitted in telegram Secto 42 from Paris, June 28, are in Conference files, lot 59 D 95, CF 111. Position papers prepared in anticipation of these meetings are in Conference files, lot 59 D 95, CF 112.

No. 525

751.5 MSP/7-252: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 2, 1952—9 p. m.

61. Cotel

1. As Deptel 7694 June 28 [1] recd Paris June 30 in garbled form it was not distributed until July 2. We are urgently preparing comments which we hope forward tomorrow.

2. As Wash aware, report CM 52/43 by international staff team for additional aircraft production discussed NAC July 1. [2] Shortly

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[1] Telegram 7694 informed the Embassy of the thinking of various departments concerning the French proposals of May 6. It also noted that the major problem was the availability of funds in view of budget cuts and the already high level of conditional commitments to France. (751.5 MSP/6-2852)

[2] NATO document CM (52) 43, an International Staff Aircraft Report, was discussed at a special meeting of the North Atlantic Council on July 1; a summary of this meeting was transmitted to the Department of State in telegram Polto 8 from Paris, July 2. (740.5/7-252)

before mtg, Pleven sent me letter inclosing text of comments on report Alphand instructed to make to NAC. [3]

3. Alphand statement takes strong exception to staff report and Pleven letter requests mtg with me to discuss matter. At dinner with Pleven last night I said that text his letter and Alphand statement wld be promptly brought to Wash's attn for consideration in connection with May 6 proposal and intl staff report. I told Pleven that I felt it wld be preferable to defer proposed mtg for a few days to give Wash an opportunity to study intl report and Alphand comments.

Text of Pleven letter and Alphand statement as follows:

Begin translation of texts Paris, July 1, 1952. Mr. Ambassador,

I wish to communicate to you herewith the text of a declaration which will be made this afternoon to the permanent council of reps of the NAT by the Fr del, M. Alphand.

The report CM 52/43, concerning the additional production of aircraft financed by offshore purchases, does not correspond in any way with the principles which we discussed with Mr. Acheson during his recent visit to Paris.

I wld very much like to have a discussion with you as soon as possible, because it is certain that the Fr parliamentary comites wld not permit the Fr Govt, even if we so wished, to agree to the proposals made in this report.

Please accept, etc. (signed) R. Pleven.

The Fr Govt took note with the greatest satis of the declaration made by the US del, according to which the Amer Govt proposed to place orders with the Eur aircraft industry.

The Fr Govt wishes in the first place to extend again its thanks to the US Govt for this initiative. Although, in the spirit of the Lisbon agmt, the Fr Govt had reason to expect that offshore purchases, intended to avoid cancellations, shld be the object of a special negotiation within a bilateral Franco-Amer framework, it consented to the procedure whereby a program was to be established by the Secy General of the NATO, in the hope that when an integrated production program emerged, the latter wld be in conformity with the wishes constantly expressed by the Fr del.

But the Fr Govt must state that the method of approach which has been applied has not taken account of all the mil, econ, social and pol elements of the problem which must be resolved; consequently the Fr Govt must make the most express reservations re document CM 52/43. It will later indicate the criticisms to which this document gives rise on the part of the Fr Govt.

The Fr del emphasizes that acceptance of the recommendations of document CM 52/43 wld have as an immed consequence the closing-down of seven Fr aircraft plants working on mil orders and the laying-off of 9,700 specialists in the airframe and engine industry

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[3] Alphand's statement during the North Atlantic Council meeting of July 1 was transmitted to the Department of State in telegram Polto 14 from Paris, July 2. (740.5/7-252)

alone, that is, 22.5 per cent of the personnel now employed in this industry; corresponding measures wld have to be taken with respect to plants making equipment.

These consequences are naturally unacceptable to the Fr Govt, all the more so since they wld coincide with the restarting of mil production in West Ger.

With respect to the broader aspects of Atlantic Def, it appears paradoxical that at the time the need for as rapid as possible an increase in the number of aircraft placed at the disposition of the NATO forces is recognized, at that same time work in progress which is indispensable to place Fr units in operational status is sacrificed for the benefit of programs which wld only give much later results, in 1955. With respect to the aircraft potential, the layoff of 9,700 specialists wld have the effect of reducing by one quarter the Fr potential. Factories in operation and whose geographical situation is favorable from the strategic point of view, such as Marignane or Anglets, wld be closed, while new assembly lines wld be set up in zones which wld be extremely exposed in case of aggression.

From the more general standpoint, the Fr Govt must recall the fol considerations:

France is the only member Govt in NATO which has agreed to make a financial effort higher than that recommended by the TCC.

Considering the recommendations of the mil comite, the Fr Govt agreed to undertake in 1952 twelve ground divisions.

Considering the conversations which it had at Lisbon with reps of the US Govt, and the recommendations made by the TCC, approved by the Council, under the terms of which large offshore orders wld be placed in Europe and particularly in France, the Fr Govt included in its budget as a priority expenditure personnel and infra-structure costs.

The decision was justified by the conviction that the offshore purchase procedure wld at least avoid the cancellation in France of contracts already placed and the closing down of factories already in production.

As the authors of the report did not understand these considerations, they reached conclusions which the Fr Govt cannot accept. *End translation of texts.*

Cleared with Labouisse and Timmons.

DUNN

No. 526

751.5 MSP/7–1252: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, July 12, 1952—9 p. m.

303. Cotel.

1. Accordance Def tel 913168 [1] re addl OSP I personally gave Pleven today fol ltr:

Begin text. I have the honor to ref to your memorandum of May 6, [2] and your letter of July 1 [3] rel to possible addit off-shore procurement by the US in France.

The proposals in the May 6 memo as well as the comments contained in your letter of July 1, have recd the most careful consideration by all interested Departments in Washington. I have now been authorized to communicate to you that the US Govt is prepared to include in its normal fiscal yr 1953 off-shore procurement program for France the fol items, sub, of course, to satis negots as to prices, specifications, delivery dates, etc.:

(1) MD 452 aircraft.

As stated by the US rep in the North Atlantic Council mtg of July 9, [4] the US is prepared to procure in France $86,540,000 of MD 452 aircraft. The US is primarily interested in procuring the Mark IV series of this type aircraft. Details re types to be procured will of course be worked out during contract negots, but in principle, the US desires to procure only the minimum quantity of the Mark II series essential to keep plants in production prior to conversion to the Mark IV series.

(2) Electronics, radio and radar.

Washington does not have sufficient data relative to electronics material to permit detailed decisions at this time. However, the Dept of Def is anxious to explore the possibilities of increased off-shore procurement of such equip and is prepared to give consideration to this type of material in its refinement of the fiscal year 1953 off-shore procurement program.

(3) Ammunition.

The US Govt considers ammo as one of the highest priority items in off-shore procurement programming, provided price and quality are acceptable to the US. The US is principally interested in procuring US types of ammo, but substitution of other types is not excluded. Subj to the foregoing considerations, the US is prepared to purchase in France upwards of $99 million of ammo.

The foregoing are the principal items mentioned in the May 6 memo for which the US is prepared to undertake off-shore procurement in France during the fiscal year 1953. Nevertheless, during the course of the refinement of the fiscal year 1953 off-shore procurement program, it may be possible to consider certain other

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[1] This Department of Defense telegram, which had the concurrence of the Department of State, DMS, and MSA, advised the Embassy in Paris that it could inform the French that the United States would immediately support the Pleven proposals of May 6 in the amount of $86.54 million for aircraft and $99.8 million for ammunition and that the United States was not in a position at this time to make any further commitments. (751.5 MSP/7-952)

[2] For a summary of this memorandum, see Document 516.

[3] Transmitted to the Department of State in telegram 61 from Paris, *supra*.

[4] A summary of this North Atlantic Council meeting of July 9 was sent to the Department of State in telegram Polto 36 from Paris, July 9. (740.5/7-952)

items referred to in that memo. However, the US is not in a position at this time to make any further firm commitments, particularly in view of the limited amount of funds available during the fiscal year 1953 as a result of Congressional cuts in appropriations.

It should also be understood that the foregoing statement refers only to the proposals made in the May 6 memo, and is entirely apart from any other off-shore procurement which may take place during the fiscal year 1953. *End text.*

2. Pursuant auth given Deptel 211, July 11,[5] I also handed Pleven fol informal memo re previous aid to France and IC.

Begin text. (1) In connection with your discussions re def production problems, it may be useful to summarize the extent of recent US econ and military assistance to France and Indochina.

(2) As you will recall, in accordance with the understanding reached between the Fr and US Govts last Nov, the US Govt was to make available a total of $600 mill to the Fr Govt during the period July 1, 1951–June 30, 1952. It was agreed at Lisbon that of this sum, which rep the max commitment that cld be undertaken by the US Govt, $500 million wld be in a form which wld provide support to the Fr Govt's 1952 milit budget of 1400 billion francs, including Indochina. This commitment has been fulfilled in the fol manner:

(Millions of dollars)

Econ (MSA) assistance—270.

Off-shore purchases in France of items included in Fr 1952 milit budget (pursuant Lisbon agrmnt)—177.

Funds made available for purchases in the US of milit items for Indochina—53.

Total budget—supporting aid—500.

US milit expenditures in France (in excess of)—100.

Total (in excess of)—600.

In addition, a very large amount of military aid for France and Indochina was programmed from US fiscal year 1952 funds which amount is included in the total dollar figure contained in paragraph 4 below.

(3) As the North Atlantic Council was recently confidentially informed, $683 million of off-shore procurement contracts were placed in Europe during the US fiscal year 1952. Of this amount $335 million, or nearly half, were placed in France. This latter figure includes the $177 million of OSP contracts referred to in the second para of this memo. Thus, it may be noted that the amount of off-shore procurement placed in France over and above the Lisbon program is $158 million. The greater part of these contracts was let during the last two months.

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[5] This telegram authorized the Embassy to inform the French Government that the total amount of military aid for France and Indochina programmed for fiscal years 1950–1952 in the Mutual Defense Assistance and Mutual Security Programs was in excess of $4 billion, including over $500 million in military aid for Indochina. (751.5 MSP/7–752)

(4) As you know, by far the largest volume of US aid to France and the Fr Union is being provided under the Mutual Def Assist agrmnts of Jan 27, 1950, and Dec 23, 1950, and the amount of military aid programmed (subj, of course, to any reallocation that may become necessary) by the US in the US fiscal yrs 1950, 1951, and 1952 is in excess of $4 billion, including $500 million for Indochina. Pursuant to these programs, a large volume of end items has already been delivered.

(5) It is hoped that the foregoing info will be of value in indicating the extent and nature of US assistance to France and Indochina. *End text.*

3. Summary my conversation with Pleven being reported in separate telegram. [6]

DUNN

[6] *Infra.*

No. 527

751.5 MSP/7-1352: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 13, 1952—3 p. m.

309. Cotel. Personal for Secy and Under Secy; pass Def personal for Lovett and Foster; DMS personal for Harriman and Gordon; MSA personal for Kenny. Limit distribution.

As indicated Embtel 303 July 12, [1] I informed Pleven yesterday of US response to Fr May 6 proposals. In presenting this response I stated it was the result of extremely careful exam by all depts and agencies concerned and that full consideration has been given to all milit, econ and polit factors.

2. In long conversation which followed, Pleven expressed on personal basis gravest disappointment and strongly urged that US revise its decision in light polit factors which he had frequently explained in previous conversations, particularly that with the Secy on May 29 (Embtel 7482, May 30 [2]).

3. Pleven said limited character US decision creates exceedingly difficult problem for Fr Govt. While he welcomes decision procure aircraft and ammo, Pleven said this not sufficient permit Fr Govt to maintain level of milit prod compatible with overall level Fr defense effort. He was most emphatic in stating his own opinion that

[1] *Supra.*

[2] This telegram summarized the U.S.-French meeting in Paris on May 29 concerning offshore procurement. See Document 519.

without an adequate production program Fr Govt cld not expect to receive continued Parl support for milit budget in present form. Pleven stressed that it is polit impossible further to cut back aircraft production plans, and that it wld be almost equally difficult to reduce other production. Thus, he personally felt it almost certain that cuts in other areas milit budget, notably infrastructure, wld be inevitable; while this might not affect the 1952 force goals agreed at Lisbon, goals for later years wld be seriously affected, and some slippage of parts of 1952 milit program wld be unavoidable.

4. In connection his argument that Fr milit production must be maintained, Pleven pointed out that in order to carry out milit expenditures agreed at Lisbon, Fr Govt had already been obliged cut back planned appropriations for investment, housing and other econ and social requirements.

Having once made cuts in civil budget with adverse social and polit results, Pleven felt Fr Govt wld be unable defend cuts in milit production budget which wld have similar consequences.

5. Pleven inquired whether US decision was indicative of a shift from original US post-Korea policy of vigorous encouragement milit production in Eur, to a new policy under which all major equip items wld be produced in US, with Eur countries limited to production ammo, spare parts and soft goods. I replied that quite the opposite is true as evidenced by fact that for first time US prepared to buy complete aircraft in Eur under OSP.

6. Pleven told me that if Govt came under expected attack for present extremely serious state of affairs in milit production field, he may have to take position that he Pleven, has been at fault in failing adequately to explain Fr needs to US. In such circumstances, Pleven said he might have no alternative but to resign.

7. Pleven had little comment to make on our memo re total US assistance. In his present preoccupation with problem financing milit production prog, particularly aircraft, he did not appear to feel that this info wld be particularly useful.

8. While seriousness with which Pleven views situation may arise in part from his own personal involvement, and while he emphasized that he was not speaking for govt, I feel it is certain we are now entering upon a very difficult period in our relations with Fr both in matters relating to NATO build-up and our wider polit objectives. Pleven did not commit himself as to steps he planned to recommend in light decision I had communicated to him; however, we shld shortly learn of adjustments Fr Govt will make in accord-

ance parliamentary requirements reported Embtel 7962 June 19. [3] Whatever these adjustments are, we can be certain that they will have an adverse effect on France's ability to reach milit goals. This will certainly become more clearly apparent during NATO annual review, which promises, as far as France is concerned, to present problems even more difficult than last year.

9. The Pinay Govt is probably the best govt in sight for some time and I feel it is extremely important that we do everything we can to assist it in carrying out its program not only with respect defense build-up but also of promoting polit and econ stability in France during period when important proposals for Eur unity are being considered. If there is any way in which we can contribute to Fr stability by means further assist to Fr milit production prog, I am convinced situation warrants giving all possible consideration to doing so. [4]

DUNN

[3] This telegram informed the Department of State that the French National Assembly had approved a resolution requiring the government to report to the Assembly on the possibility of achieving its production program before July 15. (751.5/6-1952)

[4] The subject was raised at the Secretary's daily meeting on July 15. (Secretary's Daily Meetings, lot 58 D 609, "July 1952")

No. 528

751.5 MSP/7-2252: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 22, 1952—1 a. m.

466. Rptd info SRE. Cotel. Ref: Embtels 309 July 13 [1] and 303 July 12. [2]

1. At request PriMin Pinay I called on him this afternoon to receive Fr Govt observations on US reply to Fr May 6 proposal re OSP. FonMin Schuman and Min Nat Def Pleven were present.

2. Pinay opened conversation by saying that reason for his asking me to see him in presence of Mins Pleven and Schuman was to emphasize extreme importance Fr Govt attaches to this matter, which is one of deepest concern to entire Govt. He stated that the purpose of the mtg was to request that the US reconsider with the utmost urgency and at the highest levels the decisions which had been recently communicated to Pleven in response his May 6 pro-

[1] *Supra*.

[2] Document 526.

posals. He handed me an *aide-mémoire* and several annexed docs which he said were explanation of Fr Govt views.

3. Pinay, Pleven and Schuman then proceeded to describe in some detail the pol, econ and social effects they foresee if US unable to reconsider its present position. They again referred to the very difficult sitn in which Fr Govt wld find itself in attempting to carry out present econ stabilization program and at the same time to provide an adequate def effort, if financing cannot be found for the items figuring in the additional OSP request. Pleven stated that if US cannot favorably reconsider Fr request, Fr Govt might find it necessary to call a special session of Parl to consider the matter and to auth readjustment of 1952 def budget. Schuman expressed himself as feeling that any proposal to reduce def production program wld place Govt in extremely difficult position in Parl. In addition to the normal Commie and RPF opposition, socs wld be sufficiently disturbed by prospects of unemployment to vote against Govt. With each of these groups thus opposing Govt for its own reasons, Schuman felt Govt might well be overthrown. In addition, he foresaw greatly increased difficulties standing in way Fr ratification contractuals and EDC.

4. In addition to *aide-mémoire* from PriMin (translated text contained in immed fol tel [3]), Pinay handed me three other docs: letter to me from Pleven, dated July 21, in response my letter of July 12 (text my letter contained Embtel 303), memo commenting on our memo to Pleven of July 12, regarding recent US econ and mil aid to France (text also given Embtel 303) and memo commenting on our supplementary memo to Pleven of July 15 (text our memo being cabled separately [4]). Translation these three docs being cabled. [5] Any country team comments will be forwarded promptly.

DUNN

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[3] *Infra.*

[4] The text of Dunn's memorandum of July 15 was transmitted to the Department of State in telegram 469 from Paris, July 22; the memorandum commented on the items in the French memorandum of May 6 which the United States was not prepared to include in its normal offshore procurement program for France. (751.5 MSP/7–2252)

[5] A translation of the Pleven letter of July 21 was transmitted to the Department of State in telegram 481 from Paris, July 22. (751.5 MSP/7–2252) A translation of the French memorandum, which commented on Dunn's memorandum of July 15 (see footnote 4 above), was transmitted to the Department of State in telegram 486 from Paris, July 22. (751.5 MSP/7–2252) No telegram containing a translation of the French memorandum which was a response to Dunn's memorandum of July 12 has been found in Department of State files.

No. 529

751.5 MSP/7-2152: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 21, 1952—11 a. m.

467. Washington for SRE. Cotel. Following is translation of *aide-mémoire* handed me by Prime Minister Pinay (mytel 466, July 22 [1]).

Begin text. [1.] At time of Lisbon conference and bilateral negotiations which took place on that occasion between the US and Fr Govts, an agreement was reached between the two govts as to the military objectives to be realized at the end of December 1952, objectives which could only be reached by arranging Fr budgetary credits in such a way that important war material orders in process of manufacture in France for the Fr Army, Air Force and Navy could not be continued except by being taken up under the offshore procurement procedure.

It is recalled that the TCC report approved by the Atlantic Council at Lisbon [2] emphasized the importance of offshore purchases to the attainment of the fixed objectives. It pointed out that "the possibilities of offshore purchases are greater in the case of Fr than in any other country in Europe; they will represent without doubt from 1 to 2 billion dollars for three years."

It was in taking account of the prospects opened by this recommendation that the Fr Govt was able to accept the commitments agreed upon at Lisbon.

2. The NAC and particularly the American and Fr Govts have recognized that it was indispensable to the interests of the Atlantic community that the potential for manufacture of army, navy and air force armament existing in Europe should be used to the maximum.

It was also provided (Franco-American memo of Feb 25, 1952, para 6, subpara (a) [3]) "that the Fr Govt would present to the US Govt for the purpose of possible purchases by the latter a list of material whose manufacture is in progress or could be undertaken with a very short delay".

It is by virtue of these provisions that the Fr Min of National Defense transmitted on May 6, 1952, [4] proposals for offshore orders amounting $625 million for three years. These proposals refer solely to material already ordered, in course of manufacture, or which could be made without delay; these remain very much below the figure of the order of 1 to 2 billion dols for three years cited in the report of the TCC, approved by the NAC.

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[1] *Supra.*

[2] For documentation concerning the report by the Temporary Council Committee and the discussion relating to it during the Ninth Session of the North Atlantic Council at Lisbon, Feb. 20–25, see vol. v, Part 1, pp. 203 ff.

[3] Document 507.

[4] For a summary of the French proposals, see Document 516.

3. The letter of July 12 from the US Ambassador [5] to Mr. Pleven Prime Minister of National Defense puts at $185,540,000 for three years the amount of orders agreed in principle by the US Govt.

As the Fr budgetary credits are absorbed by the implementation of the Lisbon commitments, the Fr Govt would then have to cancel the totality of the orders already placed and which are not included in the July 12 reply; this would result in an immed financial loss estimated at 50 billion francs ($143 million) to which would be added cancellation and dismissal charges estimated at about 20 billion francs ($57 million).

The total loss which the Fr Govt would thus undergo would be in fact greater than the amount of offshore orders agreed upon.

[4.] From the social viewpoint the following aircraft factories: Meaulte, Bourges, Le Havre, Marignane, Anglet, Billancourt, Les Mureaux; and the following armament factories: Le Havre, Saint Etienne, Tulle, Tarves, Chatellerault, as well as the Panhard and Delahaye firms would have to be progressively closed in the course of the next 12 months.

These closings would result in the dismissal of about 25,000 persons engaged directly in the manufacture of materials for which orders would be cancelled, not to mention dismissals which would apply to personnel engaged indirectly in these manufactures through the intermediary of subcontractors.

It is unnecessary to stress the repercussions which such measures would have at the very time when the Fr Govt is trying to improve the economic and social situation of the country.

5. From the military aspect the cancellation of orders in progress, the closure of factories, and the dispersal of their personnel would diminish in considerable proportions and would weaken in an irremediable manner the position of the Fr armament industry. The achievement of projected military objectives would be compromised to the same extent.

This reduction would take place at the very moment when by virtue of the Bonn agreements the Ger armament industry could resume a part of its former activity. This would create between France and Ger a lack of equilibrium incompatible with the principles on which the projects for the EDC are based, and which would be of a nature to very seriously compromise the European policy of the Fr Govt. This political aspect was particularly pointed out to Mr. Acheson during his visit to France last May.

6. From a more general point of view, the limitation of offshore orders to the figure mentioned in the July 12 letter to Mr. Pleven would in fact finally lead not only at present, but in the future, to a condition [in] which almost the entire French armament would be dependent on deliveries from across the Atlantic. Such a situation was never envisaged at the time of the conclusion of the Atlantic treaty. In the view of the French Govt, this is contrary to the fundamental interests of the Atlantic community. It would feed the anti-national propaganda which tries to persuade public opinion that the Atlantic alliance imposes on France the duty of furnishing

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[5] For text of this letter, see Document 526.

men while sacrificing France's national industry to the profit of the armament industry of the Anglo-Saxon countries.

7. The stopping of the greater part of French defense production now in progress would be the gravest possible blow to the morale of the French forces as well as the French population. No French Govt could accept this and even if it were to attempt to do so, it would without doubt be condemned by the Fr Parliament.

8. The French Govt must then request the US Govt to reconsider, not from the technical point of view but at the highest level, the proposals for offshore purchases presented by the French Min of National Defense in the memo of May 6, taking into account all of the comments presented by the French Govt if the various memoranda which it has presented to the American Ambassador at the same time as the present *aide-mémoire*.

9. The French Govt would call the special attention of the US Govt to the fact that the Lisbon agreements date from Feb 1952, that the definite proposals which it presented date from May 6, 1952, and that French budgetary credits do not permit provision at the same time for the implementation of the Lisbon agreements and for the continuation of the production proposed for offshore purchase.

The Fr Govt does not doubt that the American Govt, being fully aware, in the light of the above information, of all of the aspects, political, economic and social, of the problem of offshore purchases, will measure the gravity of the situation which will result if the proposals presented in the French memo of May 6 are not received in a positive manner. The Fr Govt therefore attaches the greatest importance to receiving at the earliest possible date a favorable response from the US Govt. *End text.*

DUNN

No. 530

751.5 MSP/7-2152

Memorandum of Telephone Conversation, by the Acting Chief of the Policy Reports Staff of the Executive Secretariat (Kitchen)

SECRET WASHINGTON, July 21, 1952.

Mr. Foster, Deputy Secretary of Defense, telephoned the Secretary this afternoon and said that Ambassador Bonnet had spent one and a half hours with him (presumably this morning) and had, in effect, charged that the United States Government had welshed on the agreement made with the French at Lisbon.

The Ambassador repeatedly stated that Secretary Acheson and Mr. Lovett had not only promised additional Indochina-type offshore procurement, but also, in a letter to Bidault, had indicated that the United States could pick up a great deal more direct off-

shore procurement. Mr. Foster said he had told Bonnet that this was completely contrary to anything we had promised the French.

The Secretary said that, of course, what happened at Lisbon was on record. Mr. Foster said that letters which Ambassador Dunn had written to Pinay (or Schuman) also substantiated our position. He added that, as a matter of fact, the situation was pretty good and actually went beyond the earlier expectations of the French, although Bonnet had declared, in his conversation with Foster, that this "means the end of the French Cabinet, EDC—everything!" and that he would so have to report to Mr. Acheson. Mr. Foster had told the Ambassador he could not argue the point, neither would he accept that it was our responsibility. Foster had stated he would do everything he could if Bonnet believed there was a way of picking up anything approaching 623 million dollars worth of offshore procurement. Foster added he was disturbed by apparent leaks in the French press which put this problem on our doorstep.

Mr. Foster said that during their talk Bonnet got out Bidault's letter of March 6 to Mr. Lovett, [1] started to translate from it, and stopped when he apparently realized that Bidault's letter and Mr. Lovett's response did not prove his point.

Foster remarked that what Mr. Pleven wants is another $440,000,000 which the latter says France can well produce, and which consists of the military orders the French Government had previously placed and now find beyond their budgetary capacity to carry. This amount is well above any commitments we have made. Mr. Foster commented that he thought the French would like to go back to bilateral deals and want considerably more than their just share. They are getting 35 to 40 percent of the total offshore program as it is. We may be able to purchase, "in our own interest and for our own account", an additional 25 to 50 million dollars worth of military equipment, but nothing comparable to the amounts the French desire. He said it boiled down to the fact that the French were in political difficulties and what we could do about it he was not quite sure.

The Secretary said we would get hold of the papers in question, in preparation for Ambassador Bonnet's call. [2]

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[1] Not found in Department of State files.

[2] During Ambassador Bonnet's meeting at the Department of State with Acheson, Perkins, and Martin on July 21, he used an approach similar to that summarized in this memorandum; a memorandum of the conversation, drafted by Martin, is in file 751.5 MSP/7-2152.

No. 531

751.5 MSP/7–2452: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET NIACT PARIS, July 24, 1952—3 p. m.

529. Personal for Perkins. Strictly limit distribution.

1. In commenting on *démarche* made July 21 by PriMin Pinay in company Pleven and Schuman (mytel 466, July 22 [1]), I believe it shld be recognized at outset that we are now in presence of probably most critical and delicate situation in France–US relations since beginning of North Atlantic Alliance. As I know Wash is fully aware, polit implications of problem of financing France def production are so far-reaching and so involved with other aspects of our Eur policy, that any decisions taken at this time will have a marked effect on plans and objectives of US and our Eur partners for some time to come. Consequently, I feel it hardly nec to urge that formulation of US reply be given most urgent attention at highest levels in light these factors.

2. In view limitations resulting from the very heavy Congressional cuts in FY 53 MSP request and the urgent competing demands for the funds finally voted, we are naturally not in position to recommend that Wash reconsider Pleven May 6 request with view to authorizing purchase of additional items. You will note from French July 21 memo transmitted mytel 486, July 22, [2] that French Govt has now dropped its request for several items, and particularly stresses importance it attaches to reconsideration of Nord 2501; certain types of armament, including Panhard reconnaissance car; Delahaye jeep; Ford truck; Sea Vernon; 57 mm ammo; and mine-sweeping gear; at a total price of $296.1 million. If none of these items is considered by US experts to be a milit requirement of sufficiant priority to warrant OSP out of limited funds available, we assume there is no question of going beyond decisions already taken.

3. Thus if no additional OSP from FY 53 funds of May 6 items beyond that envisaged in Def 913168 [3] is possible, I urge that decision to this effect be communicated to us as promptly as possible. I feel that, if possible, US reply shld be clearly based on ground that limited funds which are available to us after Congressional cuts make impossible the procurement of the balance of the items contained in May 6 request.

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[1] Document 528.

[2] See footnote 5, *ibid.*

[3] See footnote 1, Document 526.

4. When I saw Pleven this morning on another matter, he asked whether I had any news for him re OSP. I told him that I had no instructions, but indicated I thought picture looked gloomy. He replied that if US answer to Pinay *aide-mémoire* is to be negative, he hoped US position wld be clearly based on reduction of appropriations and consequent unavailability of funds. He said a reply in these terms wld assist him before Parl, but that if reply went into the merits of French production program, his position wld be wholly untenable. OSP situation, he said, is not just serious but "disastrous" and the direct consequences can flow from it if no reasonable solution is found.

5. I have asked for telecon at 10 a. m. Wash time today to discuss matter further. [4]

DUNN

[4] No record of this telephone conversation has been found in Department of State files. For a summary of the conclusions reached during this conversation, see telegram 451 to Paris, *infra*.

No. 532

751.5 MSP/7-2452: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, July 24, 1952—7:34 p. m.
PRIORITY NIACT

451. Subject: Pleven OSP Proposals. Agree it desirable to come to final conclusion on May 6 Pleven proposals as soon as possible and wld answer along foll lines suggested by you in telecon:

Sharp curtailment by Congress of funds requested for milit assistance in FY 53 makes it imperative to apply limited funds finally made available to most essential needs as those needs were explained to Congress. Funds granted by Congress for offshore procurement were on basis of our request for first application to procurement of ammunition spare parts and similar items to help fill present NATO needs. Other than $86 million aircraft and $99.8 million ammo we cannot at present accept any commitments on balance of May 6 request. US response to Pleven May 6 proposal does not preclude additional procurement of certain ammunition acceptable as to types, standards, prices and delivery schedules. US also ready to proceed with spare parts procurement. Also in firm-

[1] Drafted by Wendt and Kranich and cleared with Wolf, Perkins, Martin, Halaby of the Department of Defense, and Arth of DMS.

ing up FY 53 end item program items to be furnished by US may be procured through French manufacture if adequate facilities and acceptable prices can be established.

ACHESON

No. 533

751.5 MSP/7-2552: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 25, 1952.

571. Cotel. Following is text of memo I handed Pinay today pursuant Deptel 451, July 24 [1] and in reply his *aide-mémoire* of July 21 (mytel 467, July 22 [*21*] [2]).

Begin Text. Reference is made to the Prime Minister's *aide-mémoire* of July 21 [3] which requests that the US Govt reconsider its response of July 12 [4] to the French proposals of May 6 [5] for additional off-shore purchases in France. This *aide-mémoire* and the other documents which were presented at the same time were immediately transmitted by wire to Wash with an urgent recommendation that the US Govt reconsider the decision contained in the letter of July 12.

The US Govt, pursuant to the request of the Fr Govt, has again fully considered its position with respect to the May 6 proposals; however, the conclusion has been reached that it is not possible to modify the position given in the letter of July 12. A sharp curtailment on the part of the US Congress of funds requested for military assistance in the US FY 1953 makes it imperative to apply those limited funds finally made available to only the most essential needs as those needs were presented by the executive branch to the Congress. The funds approved by the Congress for off-shore procurement were so approved on the basis of a presentation by the executive branch which indicated that these funds wld be first applied to the procurement of ammunition, spare parts and similar items for the purpose of helping to fill present urgent NATO requirements.

In the circumstances and in view of the reduction in the Mutual Security Appropriation, the US Govt does not find it possible at present to accept any commitments with respect to the items contained in the Fr Govt's request of May 6 other than those which have already been communicated to the Fr Govt regarding the MD–452 aircraft and the ammunition.

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[1] *Supra.*

[2] Document 529.

[3] For text of the French *aide-mémoire*, see *ibid.*

[4] For text of Dunn's letter to Pleven, see Document 526.

[5] For a summary of the French proposals, see Document 516.

It shld be pointed out, however, that the foregoing does not preclude the procurement in France by the US Govt of additional quantities of certain ammunition, subject to its acceptability as to types, standards, prices and delivery schedules. The US Govt is also prepared to proceed with a program of procurement of spare parts for vehicles of US manufacture. Further, as was indicated in its response of July 12, the US Govt is anxious to explore the possibilities of increased off-shore procurement of electronics, radios and radar equipment.

The US Govt also considers that it may be possible, during the process of refining and establishing the US FY 1953 end-item program, to determine that certain items to be furnished by the US may be procured in France if adequate facilities and acceptable prices can be established.

DUNN

No. 534

751.5 MSP/7-2552: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, July 25, 1952—9 p. m.

588. Cotel. This afternoon I presented to Prime Minister a memorandum, text of which is given in mytel 571, July 25, [1] on the subject of additional offshore purchases in Fr. When he realized from reading the memorandum that this represented no modification in US position given Pleven in my June 12 letter, he said that this would mean a most disastrous blow to entire Fr economy and to programs and policies of Fr Govt, both in domestic affairs and in the internatl defense situation. He said that Fr which is now undertaking an expenditure of 40 percent of its budget for military purposes, would have drastically to revise its whole military expenditure. He said that France could not continue its military expenditures, including IC, at present rate, particularly since to do so it had been necessary to cut back expenditures essential to its internal economy such as housing and other necessities. He said that this meant that France was expected to supply only the soldiers and not to participate in production for military purposes, although it had vast facilities and large numbers of men presently employed in those industries. He said that the allocations for Great Britain were greater than for France. He also said that even at this very moment the US is expending large sums for the building of destroyer escorts in France which as far as he can see are not essen-

[1] *Supra.*

tial needs and certainly not as essential as some of the armament equipment which had been offered in May 6 list.

He added that this struck at the very heart of the present Govt's program, which is to stabilize the economic situation, provide prospects of steady employment for the Fr population, and to combat Communism in the country. He said that this would be a real blow to Govt's efforts to offset the Communist propaganda against the Fr position in the North Atlantic Treaty Organization.

I did take the occasion to point out that there is no intention or policy on our part not to have Fr manufacture military equipment. He said that he recognized this was not intentional but that the result of lack of assistance at this critical time would be the same. I also said that, as pointed out in the memorandum, as we go forward with the evolution of the FY 1953 military aid program for France we would study every possibility that might arise to make additional offshore purchases. He said that while he appreciated that this would be done, it would of course have no effect upon the present critical situation of the govt in connection with its obligations under present budget. He concluded by saying that the Fr Govt in facing this situation would have to take decisions of the gravest character, and he hoped that our govt would understand when it became necessary for the Fr Govt to decide to take the most drastic measures to carry out its present internal program. He was obviously very deeply shaken and disturbed by our communication.

At the Prime Minister's request, I have also transmitted copy of our memorandum to MinDef Pleven.

DUNN

No. 535

751.5 MSP/8-952: Telegram

The Chargé in France (Achilles) to the Department of State

SECRET PRIORITY PARIS, August 9, 1952—2 p. m.

879. Cotel. Ref: Embtel 303, July 12, 1952; [1] Embtel 571, July 25, 1952. [2] Foll translation letter of Aug 8, 1952 sent by PriMin Pinay to the Amb and recd late last evening.

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[1] Document 526.

[2] Document 533.

Begin text translation: The Fr Govt has noted with regret the contents of your letters of July 12 [3] and July 25, 1952, [4] in reply to its *aide-mémoire* of May 6, 1952. [5]

The volume of offshore procurement orders which the US Govt is prepared to place in Fr does not make it possible to resolve the problem of Fr armament production.

The Fr Govt is obliged, in connection with the preparation of its 1953 budget, which cannot be postponed any longer, to accept the consequences of the sitn thus created.

Fr plans for 1953 will be built around a Fr contrib calculated on the bases recommended by the TCC and on an external contribution estimated at approx $650 mil, composed of $500 mil resulting from the Lisbon memorandum of understanding and $150 mil in special aid for the Indochina war in accordance with the agreements reached foll Mr. Letourneau's discussions with the US Govt. These are the bases on which the Fr Govt is continuing the study of its defense plans. It wld obviously be extremely useful for it to have some indication of the proposed breakdown of external resources among "defense support" allotments, offshore procurement, and the various forms of aid for the Indochina war.

Moreover, the production of matériel to which your letter of July 12, 1952 makes reference, and for which your govt has declared itself ready to conclude contracts, will obviously not be included in these plans. Since no financing is provided in the Fr budget for this matériel. I shld like to stress the importance of prompt action in drawing up contracts therefor. *End text translation.*

In connection with above letter you may wish to refer to Paris Tomus 101. [6]

ACHILLES

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[3] For text of this letter, see Document 526.

[4] For text of this letter, see Document 533.

[5] For a summary of the French *aide-mémoire*, see Document 516.

[6] This five-page telegram, dated Aug. 8, set forth the views of the MSA Mission in Paris concerning what the position of the United States should be with respect to fiscal year 1953 budgetary support aid for France. (MSA telegram files, lot W–130, "Paris Tomus")

No. 536

751.5 MSP/8–1152: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PRIORITY PARIS, August 11, 1952—3 p. m.

895. Cotel.

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[1] Repeated for the information of SRE.

1. In connection Deptel 784, August 9,[2] pls see Embtel 879, August 9,[3] which apparently crossed your message.

2. Pinay letter of August 8, quoted ref Embtel, provides clear indication of Fr interpretation relation $186 million Pleven OSP (plus unspecified amount of electronics) to $650 mil of budgetary support, namely, that the $186 million is additional to the $650 million. You will note that last para Pinay letter states that matériel to be covered by the $186 million (plus electronics) is not within Fr budget.

3. In this connection, fol background shld be recalled. When we recd from Fr the Pleven May 6 list, we specifically asked them whether any of the items of such list were included in the Fr 1952 budget or were to be included in future Fr budgets. Fr said that answer to both parts of question was no. As you know, Fr had two inconsistent lines of argument. One was that if US did not contract for Pleven May 6 items, Fr wld not be able to go forward with their production. Other was that pol and social consequences of cancellation cld not be tolerated and that their CY 1952 and future budgets wld have to be rearranged to carry forward the production of any of the Pleven May 6 items which US was not prepared to finance under OSP. As previously reported, we felt latter course of action wld be one that Fr wld follow with respect to major items. To recapitulate, items on Pleven May 6 list were at time of presentation, clearly outside CY 1952 mil budget and outside of future mil budgets for planning purposes. US inability to purchase the Pleven May 6 items, other than the items represented by the $186 million (plus electronics) created for Fr a new sitn. Present position, according to Pinay letter, is that the items covered by the $186 million (plus electronics) remain outside present and future budgets. We understand Fr are now considering how to rearrange their CY 1953 mil budget in order to make room for those items of Pleven May 6 list not to be financed by US under OSP.

4. Re para 5 Deptel 784, we are endeavoring to obtain from Fr fullest possible indication their present thinking about size and composition CY 1953 mil budget. In this connection we are asking Fr to define in more specific terms statement in Pinay letter that "Fr plans for 1953 will be built around a Fr contribution calculated on the basis recommended by the TCC."[4]

ACHILLES

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[2] This telegram informed the Embassy that the Department of State was now able to clarify French aid prospects for fiscal year 1953 in light of the Congressional cuts in Title I funds. (751.5 MSP/8-952)

[3] *Supra.*

[4] Telegram 915 from Paris, Aug. 12, summarized the Embassy's understanding of how the French looked at the various figures that comprised their 1953 military budget. (751.5 MSP/8-1252)

No. 537

Secretary's Letters, lot 56 D 459, "F-G"

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State for European Affairs (Perkins) [1]

SECRET [WASHINGTON,] August 14, 1952.

Subject: Summary of country team comments on problems of US Policy in France with respect to French & NATO military effort (Embtels 941–943 [2])

1. The current difficulties over the financing of French armament production are the result both of imprudence on the part of the French Government and prolonged misunderstandings about the nature and extent of US aid. To avoid further difficulties and possible dire political repercussions, it is essential that negotiations be undertaken at the earliest moment and in advance of the NATO annual review to transform the Lisbon and Letourneau understandings into a carefully defined commitment. In spite of the serious problems regarding availability of funds every effort should be made to extend $650 million FY 1953 budget support aid, conditional upon a commitment by the French to undertake certain *agreed* priority defense tasks, including a CY 53 defense effort of the size and general composition as recommended in the NATO annual review. We should also make a precise statement of the relationship of our budgetary support to OSP (especially regarding the additional $186 million OSP envisaged in Ambassador Dunn's letter to M. Pinay [3]). (These recommendations are discussed in detail in Tomus 101, August 8. [4])

The French would also have to agree that this would be the maximum limit of US aid in FY 1953. Any approach to the French involving a lower US commitment is likely to result in a lower French contribution with attendant political risks both in France and the US.

2. An amount of $325 million for FY 1953 in defense support appears appropriate to the MAAG. The MSA recommendation for defense support is $300 million. There is no agreement among the country team regarding the manner in which defense support funds should be applied.

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[1] Drafted by James D. Tallman of the Office of Western European Affairs.

[2] Telegrams 941–943 from Paris, Aug. 12, are in file 751.5 MSP/8–1252.

[3] This is a reference to Dunn's letter of July 25, transmitted in Document 533.

[4] See footnote 6, Document 535.

3. The French end-item program for FY 1953 has been reduced by the MAAG from the initial estimate of $690 million to about $400 million. This amount will be sufficient only to meet the barest minimum of essential equipment scheduled at Lisbon for 1953, and covers NATO forces only.

The initial $690 million estimate was scheduled among the services as follows:

(a) Ground force—$390 million: This amount is based on a 15 ⅓ division commitment for NATO but exclusive of all elements of home defense.

(b) Navy—$164 million: This figure is believed by MAAG to be the minimum required to enable the French Navy to meet its NATO force goals, but not sufficient to provide for attrition or to maintain all naval equipment already in being or under construction.

(c) Airforce—$135 million: This amount will only provide items needed to support units previously equipped under MDAP and will not generate new French airforce units for NATO.

The JAMAG screening which reduces the MAAG estimate of $690 million to about $400 million, will have the following effect:

(a) The reduced figure for the ground forces is $174 million which MAAG believes will reduce standard of equipment below desirable levels for the 15 ⅓ division NATO goal of the French (Emb/MSA and MAAG disagree on the likelihood of the French proceeding with its 15 ⅓ division NATO goal, Emb/MSA taking the negative view).

(b) New amounts within the overall $400 ceiling are not available for the French Navy and airforce. However, MAAG states that further curtailment of the proposed FY 1953 program will deprive existing French NATO airforce units of their support and definitely cripple the combat effectiveness of those airforce units. Emb/MSA question the inflexibility of the naval program requirements as discussed by the MAAG.

MAAG recommends that the sharply curtailed FY 1953 end-item program not be further reduced, and that every effort be made to increase amounts made available for French rearmament. The MAAG further recommends that both military assistance and defense support funds be directed to achievement of NATO force goals. Emb/MSA add that importance of French IC efforts should not be overlooked in this process.

4. Given a $650 million total aid program MAAG recommends use of $325 million in defense support funds for off-shore procurement of necessary military equipment not furnished under end-item program either because of inadequacy of funds or non-conformance with Defense Department screening criteria (such as the MD-452/II aircraft). In view of the Lisbon understanding as well as

our broader objectives in France, the above approach is regarded by Emb/MSA as impossible to justify.

5. The crucial political aspects of our current difficulties with France are predominantly short-term. At stake are the ratification of the EDC, and the approval of the air base agreement, and possibly the Indochina effort may be affected gravely.

No. 538

751.5 MSP/8-2852: Telegram

The Chargé in France (Achilles) to the Department of State

SECRET PRIORITY PARIS, August 28, 1952—7 p. m.

1274. Cotel. Joint Emb MSA Mission msg.

1. Had very useful informal discussion at lunch today given by Draper for Pleven. Others present were Alphand, Achilles, Merchant and Labouisse.

2. Pleven outlined difficulties he had had in developing French 52 mil budget in light many demands on French overall budget, such as Indochina operations, reconstruction of severe damages of last war, and need for all mil production in France. Pointed out is having serious problem developing 53 budget and emphasized important relationship to this work of US plans for OSP.

3. He stressed importance of knowing as soon as possible range of items we are prepared to purchase as well as those we will definitely rule out. Only in this way can he build realistic mil budget and mil program. He also expressed disappointment that nothing tangible had been done to follow up on procurement MD-452 and ammo which we had stated a willingness to procure (subj of course to caveats as expressed on our ltr to Pleven of July 12—see Embtel 303 July 12 [1]).

4. During course of mtg, we pointed out to Pleven various difficulties which confronted us in this field, but stated wld endeavor move quickly. We earnestly hope that everything possible will be done in Wash to expedite action in this regard. Specifically, we urge fol:

(a) Technical team be dispatched promptly to review situation with respect to MD-452 aircraft. Believe this team shld include man with broad experience in aviation industry. (Pleven said wld welcome such team and anything US cld do to assist rapid substitution of Mark IV for Mark II).

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[1] Document 526.

(b) Expedite procurement ammo by appropriate instructions to procurement officers. (Pleven mentioned great need for production land mines, and hope this can be considered.)

(c) Expedite action on spare parts procurement. (In this connection, we are informed by French that French Ford Co and others ready and willing bid.)

(d) Expedite action in determining needs in electronics field and in starting procurement.

(e) Prompt decision on points raised in Tomus 101 [2] and Embtel 941. [3]

5. During meeting, we pointed out unfortunate repercussions which flowed from recent publicity over OSP. Pleven seems to have been particularly nettled by A 1 friendly art in *Wash Post*, and attributed largely to that art his statements to press. He has calmed down and gives impression of desire to work out problems in amicable manner. If we can move forward on matters mentioned para 4 above, believe will do much to restore relations and to facilitate achievement many of our common and natl objectives.

6. Separate tel covers Pleven's views re airbase agmt. [4]

ACHILLES

[2] See footnote 6, Document 535.

[3] Summarized in the memorandum by Byington, *supra*.

[4] This is a reference to telegram 1266 from Paris, Aug. 28. (711.56351/8–2852) Documentation concerning the negotiations over the airbase agreement with France is in file 711.56351.

No. 539

751.5 MSP/9–1152: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PRIORITY PARIS, September 11, 1952—6 p. m.

1522. Cotel. This is a country team message. Subject is US budget-supporting assistance to France from FY 1953 funds.

1. Previous tels, notably Paris Tomus 101, Aug 8,[2] Embtels 941, 942 and 943 Aug 12, [3] and Paris Tomus 173 Sept 4, [4] have expressed strong view that in light Lisbon and Letourneau assurances regarding level of US budget-supporting assistance in FY 1953, US interests would be best served and French defense effort

[1] Repeated to SRE and London eyes only Draper.

[2] See footnote 6, Document 535.

[3] All are summarized in Document 537.

[4] This seven-page telegram, dated Sept. 4, contained the text of a memorandum prepared by the MSA Mission in Paris concerning assistance to France from fiscal year 1953 funds. (MSA telegram files, lot W–130, "Paris Tomus")

maximized if French informed soonest re firm and final US decision as to maximum amount such assistance France can expect in support French CY 1953 military budget, subject to French undertaking milit program acceptable to NATO and US. Necessity to reply to Pinay ltr of Aug 8 (Embtel 879 Aug 9 [5]) which is still unanswered, and which places us on explicit notice of French assumption that total US commitment is $650 million, makes it a matter of real urgency that US decide what course of action it will pursue with French with respect to FY 1953 budget-supporting assistance. In this connection, MinDef Pleven yesterday emphasized to Ambassador importance French Govt attaches to early reply Pinay ltr.

2. Pinay ltr indicates that Fr CY 1953 budget being framed on assumption of $650 million US aid, and we have reason to believe that Fr plan their presentation to NATO AR on basis this amount of aid. Consequently, we feel it absolutely essential to be frank and firm with French Govt now while budget is still in planning stage in order to avoid misunderstandings such as have arisen in recent past.

3. During past few days, we have had extensive consultations on this subject with Amb Draper and his staff, and have been informed of the problem in the multilateral context which SRE feels wld be likely to arise if other NATO partners were to learn that France had been singled out for definite advance notice US intentions without reference to negotiating leeway in NATO AR. This tel therefore contains draft of proposed reply to Pinay ltr which takes account these circumstances.

4. For reasons indicated in previous messages cited above, country team feels that provision of full $650 million would offer best possibilities for maximizing French mil budget in CY 1953. Consequently we still feel very strongly that this figure or as close to it as possible should be considered as level of aid to be made available to French out of FY 1953 funds conditional upon satisfactory defense effort by French and that French shld be advised of this decision.

5. However, SRE has informed us of its view that because of Congressional cuts it does not appear possible consistent with needs other countries to envisage level of budget-supporting assistance for France in fulfillment Lisbon and Letourneau assurances in excess of $575 million. SRE has also expressed opinion that because of multilateral problem referred to in para three above it would be most undesirable to mention a firm figure to French at this time. Both SRE and country team agree that minimum amount which French could expect to receive under Lisbon and Letourneau assur-

[5] Document 535.

ances is in neighborhood of $500 million (22 per cent reduction of Lisbon $500 million plus minimum Letourneau figure of $100 million). Consequently, if Washington does not consider it possible to increase maximum figure above the $575 million indicated by SRE, then range for aid figure would fall between minimum of $500 million and maximum of $575 million. Country team feels that if it is not possible to mention firm figure in reply to Pinay ltr, it would be of definite advantage to provide Fr with an indication of this range, and SRE has indicated its view that such a step cld safely be taken without causing unmanageable problems in the multilateral field.

6. If Washington concurs with above analysis, we recommend we be authorized to despatch ltr substantially as follows to Pinay in reply his Aug 8 ltr:

Begin draft text. I have the honor to refer to Your Excellency's ltr of Aug 8, 1952, concerning plans for the Fr military budget for the calendar year 1953, which indicates that included in present estimates is an external contribution of approximately $650 million.

At the time of the conversations in February 1952 at Lisbon, US reps indicated that in the light of anticipated French defense effort in calendar year 1953 provision had been made in the projected US budget for the fiscal year 1953 whereby the amount of funds available as budget-supporting assistance to France would be comparable to the amount made available from fiscal year 1952 funds, which was $500 million. During the conversations with M. Letourneau in Wash last June, the US reps indicated that the US was prepared to consider additional aid for Indochina of from $100 million to $150 million. However, it was made clear both at Lisbon and to Mr. Letourneau that the US could not take any engagement with regard to fiscal year 1953 funds pending action by the US Congress. As Your Excellency is aware, the US Congress made cuts of approximately 22 per cent in the appropriations requested for the mutual security program in fiscal year 1953, and as a consequence, it will not be possible to make available to France the full amount of $650 million referred to in your ltr.

However, in order to assist the French Govt in developing plans and programs for its 1953 military budget, I have been authorized to inform Your Excellency that, in fulfullment of the assurances given at the time of the Lisbon conference and during the conversations with M. Letourneau in Wash as related to the establishment by France of adequate programs both for Indochina and in support of the NATO defense effort as determined during the annual review, it is anticipated that the range of US budget-supporting assistance from fiscal year 1953 funds will be between $500 million and $575 million and that it is the intention of the US within that range to provide the maximum amount consistent with the French effort.

In this connection I have requested the appropriate members of my staff to hold themselves at the disposition of your govt for conversations regarding these matters.

The exact breakdown of the final budget-supporting assistance figure between defense support budget-supporting offshore procurement, and purchases in the US for Indochina is not yet known. However, in order to permit the Fr Govt to cover immediate dollar needs, the US Govt is now prepared to allocate and to make available as required, against the final figure of budget-supporting assistance, certain defense support funds, the exact amount and timing of such immediate assistance to be fixed by mutual consultation.

With respect to the budgetary support assistance which will be in the form of offshore procurement as well as purchasing in the US for Indochina, we wld urge that the Fr Govt draw up at the earliest possible date, lists of items which will be included in the 1953 military budget and for which US financing under offshore procurement is desired. Early mutual consultation will provide adequate time for the selection of items satis as to prices, types, specifications, deliveries, etc., in anticipation of the final allocation of funds.

I also wish to confirm to Your Excellency that the offshore procurement referred to in my letter of July 12, 1952, in the amt of $186 mil, is separate and distinct from the budgetary support assistance referred to above.

Any offshore procurement by the US in addition to that referred to above wld be considered on the merits of individual cases and to the greatest extent possible wld be in accordance with NATO recommendations. *End draft text.*

7. As Wash aware, Pinay letter asked for info re breakdown of proposed assistance between def support and budget-supporting OSP. Consequently, if Wash decision as to this point wld not delay reply this tel, we wld appreciate being informed of proposed breakdown in order that an appropriate sentence re this subject cld be included in fifth para proposed letter.

8. Pinay letter has now been in our hands for over a month, we believe it essential that we delay no longer in making reply. Authority therefore urgently requested to send foregoing letter to Pinay at earliest possible date, if this is in accord with Wash decision. [6]

DUNN

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[6] For the revised text of this letter which was approved by the relevant agencies in Washington, see Document 542.

No. 540

MSA telegram files, lot W-130, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency [1]

SECRET PRIORITY PARIS, September 11, 1952—9 p. m.

Repto 849. Cotel—Wash eyes only. As you will see from Paris Embtel 1522 of Sept 11, [2] Amb Dunn and I have discussed at length the question of a reply to the Pinay ltr and the level of aid which might be notified now to the French Govt. I have stressed the impact of decisions concerning French aid on other NATO countries and on the success of the NATO annual review. I realize the force of the Lisbon and Letourneau commitments and agree that they require some special handling of aid in the case of France. The proposed solution, while indicating to the French our recognition of these commitments, wld also indicate the manner in which we interpret those commitments (i.e., that they require adjustment for the effects of Congressional action and are dependent upon French acceptance of a satisfactory program in Indochina and in the NATO annual review). This solution will also give some further scope for aid negotiations with the French within the framework of the NATO annual review and their Indochina effort.

Amb Dunn accepts the force of the point of view I have expressed but does not feel that he can agree to a lower figure than $650 million in absence of Washington decision to that effect. As a result of our discussions, it was agreed that my responsibilities for the multilateral work cld be met by the kind of approach which is incorporated in the draft reply to Pinay contained in ref Embtel. The use of a range for aid provides a minimum figure in fulfillment of our commitments on the basis of which the French can begin programming for the year but also establishes an area within which the French may receive additional aid depending upon their performance with respect to the NATO annual review recommendations and in Indochina. Finally, it provides a maximum upper limit which will get across to the French now that Congressional cuts and fairness to other countries have made it impossible to reach the $650 million figure on which they are still planning. It seems to me that this preserves the maximum for both our bilateral and multilateral points of view and on this basis I cld argue at NAC, if the question were raised, that France has not been treated entirely as a special case inasmuch as the final level of aid for

[1] Repeated to London.

[2] *Supra*.

France wld depend upon the NATO exercise as for other countries; on the other hand, that a minimum annual planning figure had been announced to the French in recognition of written prior commitments made in connection with their acceptance at Lisbon of a defense effort higher than recommended by the TCC and in recognition of the fact that France is actively fighting a war against communism in Indochina.

I trust that Washington can reach a rapid decision in this matter and authorize the dispatch of a draft reply to Pinay along the form and content (as set forth in Embtel 1522) in which I fully concur.

You will note that the amount and range of total budget support aid which I am now recommending is different from that outlined in para 3 of Repto 521. [3] The former figures were based upon the assumption that the Letourneau commitment had been $150 million not a range of $100–$150 million, and also did not appear to provide adequate leeway for negotiating additional aid in the context of the multilateral exercise.

DRAPER

[3] This telegram recommended a reduction of 10–15 percent in the $500 million figure agreed at Lisbon. (MSA telegram files, lot W–130, "Paris Repto")

No. 541

751.5 MSP/10–352: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, October 3, 1952—7:28 p. m.

1954. Cotel. Reply to Pinay letter and oral supplementary statement being transmitted simultaneously separate tel. [2] Fol points shld also be covered in ur discussions with French.

1. Make clear that $525 million excludes whatever amts programmed to carry out Moody amendment.

2. You shld secure an understanding and, if possible, an agreed minute to the effect that, while we have no desire to prejudice any possible developments with respect to the foreign exchange value of the frame, we wld want it understood that the value of U.S. aid in support of the French Def budget wld have to be examined again with the French Govt to determine what adjustments might be ap-

[1] Drafted by Schelling of the Office of the Director for Mutual Security and cleared with Martin, Nash of Defense, Hebbard of Treasury, Cleveland of MSA, and Ohly of DMS.

[2] *Infra.*

propriate under the new budgetary situation that wld result from any changed relation of the French franc to the dollar.

3. Since the terms of the understanding we wish to reach with the French, as contained in the ltr and the supplementary oral statement, relate the dollar value of our aid (excluding Moody) to the total French def budget (including counterpart, U.S. procurement, etc.), and do not therefore involve the specific rate or amt of counterpart accrual as such during any particular fiscal or calender year, the 10% counterpart problem, as well as the counterpart pipeline problem, is adequately covered by the terms of our overall negotiation. No specific ref to the 10% problem is therefore necessary at the outset, and we are sympathetic to expressed desire of country team not to entangle these aid negots with estimates of counterpart pipeline at beginning and end of calendar '53, etc. (If there in any indication Fr think or will wish to argue later that $525 million is after deduction 10% of def support portion, you shld leave no possible room for doubt that score.) We are still left with the question however, of whether to make further releases in CY '52 of accrued counterpart beyond the 184.3 billion francs, prior to satis understanding with the French on basis Pinay ltr. As understood here between MSA and Labouisse, no further release desirable until we have received satis reaction from Fr Govt to the U.S. negotiating position contained in ltr and oral statement.

4. As agreed in MAAC with Labouisse, counterpart of FY 53 aid in the form of def support will all be devoted to Fr def production budget. As was discussed in MAAC, and as further discussed by Labouisse and Cleveland, the specific application of counterpart funds to Fr def production and, where necessary, the specific conditions under which counterpart funds will be used, will be agreed from time to time by the Fr and U.S. Govts under a more detailed procedure than has heretofore been in effect. Fr shld be advised in ur discussions U.S. will work out with them a procedure which, without slowing up procurement by Fr Govt of matériel required for its forces, will make sure that counterpart, as well as end-items and OSP, are used in a coordinated fashion with Fr resources to secure a flow of milit equipment to Fr forces that most effectively meets the requirements of Fr NATO forces and the IC campaign. In this connection particular emphasis shld be laid upon the necessity to integrate counterpart expenditure with the total indigenous Fr milit production program. These bilateral discussions wld, of course, take place within the framework of such guidance as can be secured from NATO, on NATO-wide def production programs. We understand Labouisse in agreement with advising Fr of these intentions at time of transmittal ltr to Pinay.

5. In your discretion you may remind Fr that diversion of end-items funds from original intended purpose means less end-items funded for all NATO countries, France included.

ACHESON

No. 542

751.5 MSP/10-352: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, October 3, 1952—7:20 p. m.

1955. Cotel. This cable contains (a) letter to Pinay now authorized for transmittal, and (b) text of oral statement to be made to the French at time of transmittal. Separate telegram being sent simultaneously contains instructions on separate points not covered this telegram. [2]

(a) Ltr to Pinay. [3]

Begin text. I have the honor to refer to your Excellency's letter of August 8, 1952 [4] concerning plans for the French defense budget for the calendar year 1953 and the relationship of U.S. aid thereto. The U.S. Government has been giving the most serious consideration to this important matter and has been reviewing it as one of the exceedingly difficult and complex problems resulting from the large-scale requirements for mutual security assistance in relation to the funds finally made available by the United States Congress.

At the time of the conversations in February 1952 at Lisbon, U.S. representatives indicated that provision had been made in the projected United States budget for the fiscal year 1953 whereby assistance to France could be comparable in amount to that made available from fiscal year 1952 funds. During the conversations with M. Letourneau in Washington last June, the United States representatives indicated that in connection with French efforts in Indochina and requirements for the build-up of the National Armies, the United States was prepared to consider additional aid of up to $150 million. During the discussions it was noted that final decision on the total of U.S. assistance to France could only be made in the

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[1] Drafted by Schelling of the Office of the Director for Mutual Security and cleared with Martin, Halaby and Nash of Defense, Hebbard of Treasury, Cleveland of MSA, and Ohly of DMS.

[2] *Supra.*

[3] For an earlier draft of this letter proposed by Dunn, see Document 539. During the Secretary of State's daily meeting of Sept. 29, Martin asked if his position was approved that the French should be told that the floor on the funds which they would receive would be $550 million and that the ceiling would be $650 million. Bruce stated that this appeared to him to be a reasonable position and Acheson approved. (Secretary's Daily Meetings, lot 58 D 609, "September 1952")

[4] The text of Pinay's letter was transmitted to the Department of State in Document 535.

light of the NATO Annual Review, and the decisions taken by the French Government with respect to the size of total defense effort and expenditures from French resources in 1953.

It was also made clear both at Lisbon and to M. Letourneau that the United States could not take any definitive engagement with regard to fiscal year 1953 funds pending action by the United States Congress. As your Excellency is aware, the Congress made substantial cuts in appropriations requested for the Mutual Security Program in fiscal year 1953.

Consequently, pending the development of further information during the course of the NATO Annual Review, it will be impossible to reach final determinations with respect to the allocations of aid. It is our present judgment, however, that in view of these circumstances it will not be possible for the U.S. to make available to France the amount of $650 million, referred to in your Excellency's letter, in those types of assistance that directly enter into French budgetary planning.

In this connection my Government desires to call your attention to the substantial assistance planned for France in 1953 which will not be directly reflected in the French defense budget. In the first place, while the $186 million of OSP agreed to in our letter of July 12 to Mr. Pleven is not included in the figure on U.S. aid mentioned below, you will appreciate that it will have the effect of reducing the amount of funds available to the U.S. for other purposes while permitting the continuation of essential munitions production in French industry. In addition, the U.S. is continuing to provide a substantial amount of military end-item assistance and training to French forces, as well as an extensive program of direct aid to Indochina. The full scope of these programs will be developed in the weeks to come through discussions between representatives of our two governments and in the course of the Annual Review. It is clear already, however, that these U.S. contributions to the French defense effort which will amount to many hundred millions of dollars, will comprise the largest segment of the 1953 Mutual Security Program, and will provide great assistance to the French Government and its armed forces, as well as to the French economy. In addition, we should call your attention to the heavy expenditures of the U.S. for facilities built and maintained in France in our mutual interest.

We can understand your Excellency's desire for some indication as to the probable extent of U.S. assistance from fiscal year 1953 funds that might take a form which would also serve the purpose of aiding the French calendar year 1953 budget. In the light of the Lisbon understanding and the Letourneau conversations, and on the assumption of a French defense budget for 1953, including Indochina and provision for NATO defense forces as developed in the annual review, which is appreciably larger than the corresponding budget for 1952, I have been authorized to inform your Excellency at this time that the U.S. would be able to make available from fiscal year 1953 funds an amount approximating $525 million in forms of assistance directly related to the French defense budget for 1953. The final determination as to the amount of U.S. aid, including the possibility of any assistance above this

amount, will depend largely on the results of the Annual Review and the evaluation of the extent and nature of the defense contributions and economic needs of the various NATO countries, including France, in relation to the total funds available to the U.S. It is hoped that these preliminary indications will assist the French Government in developing plans and programs for its 1953 military budget and for the Annual Review.

The exact breakdown of this assistance figure among defense support, U.S. financing of equipment from the French defense budget, and purchases in the U.S. for Indochina, is not yet known. However, in order to permit the French Government to cover immediate dollar needs, the U.S. government is now prepared to make available, against the final figure of budget-supporting assistance, an interim allotment of defense support funds.

With respect to the U.S. procurement part of this assistance, as well as purchases in the U.S. for Indochina, we would urge that the French Government, in consultation with the MAAG, draw up at the earliest possible date, lists of items which will be included in the 1953 military budget for France and Indochina and for which U.S. financing under off-shore procurement is desired. Early mutual consultation should assure adequate time and study for the selection of items satisfactory as to prices, types, specifications, deliveries, etc., in anticipation of the final allocation of funds. *End text.* [5]

(b) Oral Statement to French

Begin text. Since the U.S. has indicated that $525 million could be made available on the assumption of a French defense effort in 1953 appreciably larger than in 1952, it is considered desirable that the French Government be informed as to the preliminary U.S. views concerning the level of the French military budget. These tentative views are, of course, subject to all of the facts yet to be developed in the course of the Annual Review, the results of which the U.S. does not wish to prejudge.

The U.S. estimates roughly that a desirable military effort by France, which is within the realm of feasibility, would cost about 1500 billion francs. Although the U.S. does not underestimate the difficulties involved in finding the resources needed for a program of this size, the U.S. believes, on the basis of information available at this early stage, that it should be possible to reach or at least come very close to this target. In any event, it has been assumed, for the purposes of the Ambassador's letter in reply to Mr. Pinay, that the French budget would be, as a minimum, in excess of 1450 billion francs, based on NATO definitions. The U.S. also assumes that such a budget will be composed in a way which will best achieve the force goals developed in the course of the Annual Review. The U.S. is of course assuming that the French Government will carry out in 1952 the defense program agreed at Lisbon, with a budget of 1400 billion francs, including U.S. assistance of $500 million.

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[5] According to telegram 2113 from Paris, Oct. 6, this letter to Pinay was delivered on Oct. 6 with only one slight change in the text. (751.5 MSP/10-652)

A final judgment of these questions can, of course, only be arrived at in the course of the Annual Review, taking into account the specific composition of French defense expenditures, the economic and financial capabilities of France, and the amounts and types of all forms of U.S. aid to France. *End text.*

ACHESON

No. 543

751.5 MSP/10-852: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PRIORITY PARIS, October 8, 1952—8 p. m.

2153. Cotel.

1. The Prime Minister asked me to see him this morning. Schuman, Pleven and Gaillard also present. Purpose of meeting was to inform me of French reaction to my letter and oral statement on aid [2] (Embtel 2113 [3]).

2. Pinay stated he was most seriously concerned over nature and tone of US position. He said conditions listed by US were unacceptable to French and he returned to me the copy of the oral statement I had left with Gaillard on Monday, saying that public knowledge of content of this paper would have most serious consequences on Franco-American relations.

3. Main points which appear to have generated real heat were:

(a) Statement in letter to effect that our aid was on assumption that 1953 French military budget would be appreciably larger than 1952 budget.

(b) Oral statement presuming to give US estimate as to size of French military budget.

(c) Oral statement concerning review of application of counterpart funds.

4. The three French Ministers were quite heated in their views on both the tone and substance of our communications. Pinay pointed out that French military budget was problem for French to pass upon. He said tentative military budget had been developed calling for expenditure of 1464 billion francs in 1953. This was

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[1] During the Secretary's staff meeting of Oct. 9, Bruce referred to this telegram and asked whether there had been anything offensive in the Department's original draft letter. Perkins replied that in this case the United States had involved itself fairly directly in the internal affairs of France and this had been resented. (Secretary's Memoranda, lot 53 D 444, "October 1952")

[2] For the text of the letter to Pinay and the oral statement to be made at the time the letter was presented, see telegram 1955 to Paris, Oct. 3, *supra*.

[3] See footnote 5, *supra*.

based, he said, on 217 billion francs estimated budgetary support from $650 million US aid, plus some increase based on increase in GNP, etc. Pinay said if US not prepared give $650 million, French would have to re-make budget. (Gaillard estimated that on basis of $525 million aid French military budget would probably total about 1420 billion francs.) Main point, however, was that it was up to French to estimate what they could afford, and not for US to do so.

5. Pinay went on to say that US position overlooked fact that France was doing more in 1952 than had been recommended by TCC and had anticipated in 1952 the increases in military expenditure envisaged by TCC for 1953. Pointed out that other countries were doing no better and some were doing less than recommended by TCC. Also stated US overlooked fact that small pay-scale for French soldiers and officers meant French contributing more than budget figures implied.

6. As to US statement on proposed use of counterpart to influence French budget, Pinay said no French Government could submit to this procedure. All three Ministers adamant on this point, taking position that composition as well as size of French military budget is a matter for French determination alone.

7. On subject of amount of assistance, Pinay alluded to fact that two months had elapsed since his letter to me and that consequently French had gone ahead with plans based on $650 million. He asked me to urge in the strongest manner that aid in this amount be provided.

8. I view this situation with the utmost seriousness. I believe that the most serious strains are developing in our relations with the French, and that we may expect very difficult days ahead. I am of course not in a position to judge the necessity for the position we have taken in this particular matter. I believe that we shall not be able to accomplish the scrutiny and review of the French defense production budget in the manner envisaged in Deptel 1954.[4] It was made clear to me by the three Ministers that they would consider this an infringement of French sovereignty. I also believe it most unlikely that the French will develop a military budget calling for more than, if as much as, 1252 billion francs from their own resources. Labouisse shares these views.

9. I have just been informed by a reliable US correspondent that Pinay today told his party he had received note from me which was offensive in tone.

DUNN

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[4] Document 541.

No. 544

751.5 MSP/10-1052: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, October 10, 1952—6 p. m.

2212. I am very concerned over manner in which French Govt are dealing with our recent reply [1] to Pinay letter to us of August 8 [2] on subject of financial assistance to France in the defense effort.

Regardless of what we may think of this tactic, Pinay Govt has received considerable support in Parliament and country for their resistance to supposed "interference" by US in French internal affairs. The veiled references to this resistance, coupled with strong and almost truculent attitude they have announced with regard to treatment of Tunisian question in UN has brought forth a wave of approval generally on the part of parliamentary and public opinion which has done more to strengthen position of Pinay Govt than anything else since it took over six months ago. The govt has turned into an asset for itself the growing resentment on part of Parliament and public derived from feeling that France was being pushed about in such matters of importance and sensitiveness to France as the Tunisian and Moroccan questions, the Saar, the method of constructing European Army, large number of air bases being built by US and US forces both in Morocco and Metropolitan France, even though latter are under NATO general plan.

As you know, there was an increasing wave of resentment being built up, largely for political purposes, against Schuman but which also involved the position of the whole Pinay Govt. By making it appear US has attempted to impose "inadmissible" conditions in connection with our defense aid, and their summary rejection of such alleged suggestions, they have brought forth a resounding approval of the assertion of France's independence and refusal to submit to suggestions from any quarter. At the same time French Govt is making it clear that their firm adherence to Atlantic Pact and idea of Atlantic cooperation is not brought into question; that they are dedicated to such cooperation and determined to continue their firm adherence to it. Concurrently they are continuing their repressive measures against French Communist Party.

Our latest communication to Pinay is the stiffest which we have given the French since the beginning of post-war US aid. There is a line beyond which conditions which may be considered as encroaching upon national sovereignty become counter-productive.

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[1] For text of the U.S. reply, see Document 542.

[2] Pinay's letter was transmitted to the Department of State in Document 535.

I therefore suggest that we be authorized to proceed along the lines of following telegram Embtel 2213. [3]

DUNN

[3] *Infra.*

No. 545

751.5 MSP/10–1052: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, October 10, 1952—6 p. m.

2213. Cotel—this is joint Embassy/MSA message. Re: Embtels 2153, October 8 [1] and 2212, October 10, 1952. [2]

1. We should distinguish clearly between the nature of the two major objections French have raised to the conditions contained in letter and oral statement on aid. These are discussed below, together with recommended positions which we could take with French in course of continuing discussions.

2. First objection is to expression of US assumption that CY 1953 French military budget would be "appreciably larger" than in CY 1952, and to our estimate of size of desirable French military effort. Form in which Pinay cast his objection probably does not reveal full force his resentment. It would appear that in addition to his stated concern re attempt of US to interfere by estimating what size French military budget should be, Pinay was very upset by what he took as implication that French Government should revise its fiscal and budgetary policies in order to make possible appreciably larger French defense effort next year than French have projected thus far. One of bases of Pinay's political strength with Parliament and country has been his financial and economic policies, including his firm public stand against raising taxes in 1953. In face of strong political and economic pressures, he is now reluctantly having to give ground on increases in civil operating and investment expenditures for 1953. Thus he may well have interpreted suggestion in oral statement that with $525 million in budget support aid level of CY 1953 military budget should be within range of 1450–1500 billion francs (in place of his proposed military budget of 1464 billion francs as maximum French could do on basis the larger aid figure of $650 million), as an expression of US views that French taxes should be raised in order to finance the further in-

[1] Document 543.

[2] *Supra.*

crease in France's own financial contribution to defense implicit in US figures.

3. It is not yet clear to us whether the French objection is intended to mean that as matters now stand they will refuse to discuss size or content of military budget not only with us but also in NATO framework. Aware that French main objection on this score is to "US interference", but that they recognize that such discussion is implicit in NATO annual review. Difficulty is that their present frame of mind could seriously prejudice review and that Fr may line up others to restrict scope of examination of military budgets.

4. Consequently we believe it would be desirable for us to seek to make clear to the Fr again, in the continuing discussions, the reasons why US assistance must be related to a level of defense effort by the recipient countries, and at the same time to assure them that we are not attempting to drive hard bargain. In these continuing discussions, we should emphasize that we of course recognize that the Fr budget both as to size and composition, is a matter for Fr determination; but that we simply considered it fair to all concerned to attempt an exchange of views in a friendly manner preliminary to the final aid determinations which would be made as result of the annual review. We should emphasize that this was sense of our message and that, if Fr considered its phrasing unhappy, they should forget the wording. The main points are the idea that there is a relationship between assistance and level of effort and that it would be helpful to have preliminary discussions as to possibilities on both sides.

5. Second Fr objection is to proposed counterpart procedure. Basic objection apparently directed to our suggestion that we wanted closer review military budget. Fr can only see this as totally unjustified prying into matters that are internal Fr affair. Moreover, obvious Fr suspect proposed procedure would mean that they would be held to a hand-to-mouth basis, having to justify various segments of their production program in the greatest detail. As stated in ref tel, we are convinced that the procedure envisaged in Deptel 1954 [3] is not capable of accomplishment in the face of the adamant Fr objections. It is no longer simply a question of risking a certain amount of friction in order attain results which would outweigh possible harm; issue has become one which if maintained from US side could conceivably have most serious consequences in terms of our NATO policies.

6. We therefore recommend that we be authorized to make clarifying statement to Fr which will modify somewhat intent of para 4

[3] Document 541.

of Deptel 1954. Line would be that Fr may be assured that, assuming satisfactory outcome of annual review, as counterpart accrues in CY 1953 it will be released for application to mil budget or, however, in view of importance on US side of making convincing public and congressional explanation as to use MSP funds are put, we would like to work out a procedure for selecting production to be financed by counterpart ahead of time rather than by [garble]. If Fr would accept such a general arrangement, we believe it would give us as much opportunity as we can expect to bring our views to bear on their production program. We believe that we must accept as certain that we cannot hope to obtain the more detailed influence and control envisaged in Deptel 1954.

7. We should appreciate your earliest possible authorization to proceed along foregoing lines. [4]

DUNN

[4] At the Secretary's daily meeting of Oct. 10, there was a discussion of the French reaction to the letter sent to Pinay concerning U.S. aid to France. The general consensus was that the French were making domestic political capital out of this issue and that it was not as serious an issue as it was being made out to be. (Secretary's Daily Meetings, lot 58 D 609, "October 1952")

No. 546

762.00/10-1152: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, October 11, 1952—2 p. m.

2240. Rumors of secret Franco-Sov convs reported in Bonn's 1498, Oct 4, [2] and 1505, Oct 4,[3] brought forth Schuman's emphatic denial (Embtel 2090, Oct 6 [4]).

Any idea that the present Fr Govt wld undertake such talks without informing us can be firmly excluded. It is also unlikely that any unauthorized contacts of any importance between non-Commie Fr and Russians have taken place. What seems to us more

[1] Repeated to Bonn, London, and Moscow.

[2] Telegram 1498 reported on a conversation with Social Democratic leader Wehner in Bonn in which Wehner attempted to substantiate his charges that French circles were in touch with the Soviets in order to perpetuate the division of Germany. (641.61/10-452)

[3] Telegram 1505 reported Adenauer's opinion that Wehner had not been able to substantiate his charges of secret French-Soviet conversations. (641.61/10-452)

[4] Telegram 2090 briefly summarized Schuman's denial of these secret talks in a statement given to the press. (762.00/10-652) Schuman discussed this denial with C. L. Sulzberger during their conversation at the French Foreign Ministry on Oct. 15. For a record of this talk, see Sulzberger, *A Long Row of Candles*, p. 782.

important is to examine background of these rumors i.e., is there any likelihood of a trend toward Franco-Sov *rapprochement* in near future? This ques derives added importance from new emphasis which Kremlin appears to be putting on efforts to split our Eur allies from US. It is a very large topic but we believe substantially correct answer can be found in examining certain allegations which are being used to lend plausibility to rumors of secret talks. These include:

1. That the Fr wld like to do a "deal" on Indochina.
2. That the present sitn is similar to that which led to the Laval-Stalin pact of 1935.
3. That France and Russia have a common interest in preventing the revival of Germany, a common interest reflected concretely in the Franco-Sov pact of 1944 which has never been denounced by either side.
4. That the French are becoming increasingly cool toward Americans and Amer policy and increasingly interested in greater "independence" from US.

Our evaluation of these questions is as follows:

1. Most French wld very much like to get out from under in Indochina (as many Amers wld like to get out of Korean war) but do not see how it can be done on any tolerable terms. They are nevertheless continuing to devote substantial percentage of French manpower and approx $1 billion a year to Indochina in operation which appears to many as little more than holding operation.
2. Suggestion of similarity between present sitn and that lead to Laval-Stalin pact of 1935 obviously derives from prospect of Ger rearmament in each case. Similarity seems to end there. In 1935 France was confronted on her eastern frontier by a powerful Germany under fanatical and almost openly aggressive leadership of Hitler. Beyond Germany were France's Little Entente allies and beyond them comparatively inert mass of Russia. Russia was Commie but absorbed in domestic probs and recent US recognition had added to her respectability. Internally in France Croix de Feu and other extreme right groups were more in evidence than Commies. Today, Adenauer's still convalescent and truncated Germany raises no immed threat, whereas from Elbe to Pacific there is new power mass and totalitarian threat whose significance, intentions and tactics are gradually becoming more clearly seen in France. Internally, it is obvious that only danger is from Commie. Such popular interest as there is in France for "talks with Russians" derives more from apprehension than from any friendliness.
3. France and Russia have a common interest in assuring that Germany does not again become a mil menace. So has everyone else. Otherwise it is less correct to speak of common Franco-Sov interest re Germany than of interests parallel in certain aspects. Both countries desire that Germany have minimum influence in world affs, polit and militarily; Ger absence from NATO and division of country serve this end. Some Fr may consider that united and "neutral" Ger wld be less danger to France than rearmed pow-

erful FedRep in EDC and wishfully believe such a united and neutral Germany might be kept out of Sov orbit. At this point parallelism ends and conflict begins. Permanent nightmare for France as well as rest of west is any kind of Russo-German *rapprochement* and Fr seem largely to have accepted policy of integrating FedRep with west as best form of insurance against it. Franco-Sov pact now has no more practical meaning here than has corresponding Anglo-Sov pact, in fact it has little more reality than Byrnes 4-power pact proposal, altho denunciation or threat of denunciation by Moscow cld cause much popular apprehension as to Sov intentions.

4. Traditional Fr friendliness toward US has survived such strains as Vichy period, North African landings, allied bombings, years of intensive and sometimes clever Commie propaganda and currently presence of large numbers of Amer armed forces in France in peacetime with all only comparatively minor damage. There is some apprehension as to use to which US will put its growing mil strength, irritation from time to time at what looks like Amer attempts to intervene in their internal affs along lines and to extent they know US wld not itself permit, and gnawing doubts as to our willingness, in view of great disproportion between our strength and that of our major allies, to place Atlantic community on true partnership basis. To this must be added real psychological problems arising from long-terms stationing of large numbers of troops of one country on territory of a friendly (rather than ex-enemy) country. While the sitn does require utmost tact and real statesmanship on US side, any French wavering from US in direction of neutralism derives less from any sinister motives than from occasional annoyance with us and hopes for ending of east-west tension.

To sum up, many Fr are still wholly in their search for peace, many hope for 4-power talks, some even believing they might lead to settlement, and some may have personal or commercial urge to talk to Russians. On other hand, understanding of Sov intentions and tactics has increased here in last 2 or 3 years to point where majority of Fr have belatedly come to recognize that in final analysis USSR is enemy Nr 1. While Eur idea naturally encounters difficulties when applied concretely, it has incomparably greater appeal than any idea of *rapprochement* with Sov Union. Hardheaded French realize, when they really think about it, latter wld mean abandonment of US friendship and support, increasing Commie control internally, eventual satellite status and, in fact, renunciation of western way of life.

Nevertheless it wld obviously be folly to underestimate danger of new Sov divisive tactics or seriousness of troubles they may cause us. Clearly US must give intensified attn to means of countering such tactics not merely in propaganda but in substance. We will be making recommendations with respect to France in this connection from time to time, but I wld like to make fol gen suggestions now. If we are to maintain and strengthen our Atlantic partnership, we

have got to treat our partners truly as partners. We must use our great strength and influence very gently and tactfully. We must consult our partners more and earlier in formulation of our own policies. We must be careful not to give impression of intervening in their internal affs and not to ask them to do things we are not prepared to do ourselves. Some of our actions and sometimes the way we do things, give ammo and tend to give plausibility to Commie charges that we dominate Eur "satellites". NATO can be of great importance, if we proceed soundly, boldly, and tactfully, in maintaining and developing fuller and deeper unity in both political and econ fields.

DUNN

No. 547

EUR files, lot 59 D 233, "Letters—France, Sept–Dec 1952"

The Counselor of Embassy in France (MacArthur) to the Assistant Secretary of State for European Affairs (Perkins) [1]

SECRET PERSONAL PARIS, October 19, 1952.

DEAR GEORGE: On a personal basis, I am enclosing a memorandum prepared by General Tony Biddle covering a long talk he had with M. Pleven. This memo is of very considerable interest since it reflects the state of mind not only of M. Pleven, but of important elements within and without the French Government. I think it also points up some misunderstandings or misapprehensions in the minds of the French.

Day before yesterday General Ridgway and Jimmy Dunn met out here at SHAPE and discussed this memo. Jimmy made, I thought, a splendid presentation of the present state of mind of the French and pointed out that Franco-American relations were probably in for a rather difficult period.

In connection with all this, I would like to emphasize one point which has been brought home to me repeatedly by friendly French people of different walks of life with whom I have talked. The point is that the French are increasingly coming to believe that the US Government and Congress have no confidence in France, consider the French fumbling and incompetent, and therefore believe the

[1] Attached to the source text was a second letter from MacArthur to Perkins, dated Oct. 27, in which MacArthur explained that the Embassy decided not to send a copy of Biddle's memorandum to the Pentagon because it was feared that it would produce a violent anti-French reaction which would be beneficial to no one. For this reason, MacArthur requested that Biddle's memorandum be held very tightly.

US should start telling the French what to do in all fields, foreign and domestic. I do not believe any of us could quarrel with the French that there are certain elements in the US which generally share this view. However, I think the important point in all this is that we must give the French the impression that we are being frank with them and that we are acting on a partnership basis. The fewer legalistic presentations—based on the work of US slide-rule boys in an ivory tower—we make to them, the less danger there is of a serious deterioration of our relations, not only with France but with Europe. I feel that in the development of US positions, we sometimes get so involved in technicalities and details of our policy that we tend on occasion to be both pedantic and intolerant. I also recognize that in the majority of the cases this is not the fault of the Department, but stems from the insistence of other Departments or agencies. This is beside the point, however, if the finally agreed US approach is one which creates damage. After all, our entire foreign policy is involved in what we are trying to do over here.

I hope you will not think that in this letter I am trying to be pedantic or to lecture anyone, for I certainly am not. It is just that I am really more apprehensive than I have been for many months that unless we show real leadership which involves, of course, firmness but also patience and tact (with a capital T), we may over the coming period lose much, if not all, of the ground we have gained.

I made a strong recommendation that the attached memo be sent back to the Pentagon as an indication of M. Pleven's frame of mind. Thus far, no action has been taken, so I do not know whether the memo will in fact go back to the five-sided building or not. I have not requested authority to send it on to you, but am doing so on my own initiative, so I would hope that you would hold this within the Department until such time as I can let you know whether the memo did go back to Defense.

Every good wish and all the very best.

Yours ever,

DOUGLAS MACARTHUR II

[Enclosure]

Memorandum for the Record, by General A. J. Drexel Biddle

SECRET PARIS, October 10, 1952.

On October 10, 1952, the Minister of National Defense, M. René Pleven, telephoned me that his Government, in general, and his Ministry, in particular, were currently faced with a number of irk-

some problems; that these had either a direct or indirect bearing on General Ridgway's mission. He would therefore welcome an opportunity to discuss them informally, to impart the official French thinking, and to clarify his Government's position in relation to these problems. He felt that this would serve a useful purpose in the relationship between General Ridgway and, in particular, the Ministry of National Defense. He did not wish to take General Ridgway's time to listen to his discussion of these problems, and he therefore suggested that I come to see him at 1730 hours that afternoon in his office. Accordingly, I arrived at his office at the appointed hour and the discussion which ensued was concluded at 1900 hours.

Main Points of Discussion

The following are the main points which the Minister discussed:

1. French official impression of US official attitude toward France—Page 2.
2. Indochina—Page 2.
3. Financial Difficulties—Page 3-4.
4. Two-years' national service—Page 4-5.
5. US-French negotiations: French concern—Page 4-5.
6. Conclusion—Page 5.
7. General Ridgway's recent statement to Press—Page 6.

French Official Impression of US Official Attitude Toward France

At the outset, M. Pleven said that it was with a real sense of regret that he had to admit that he and his Cabinet associates had gathered an impression, particularly during the past four or five months, that the US had manifested a lack of confidence in France. From the French point of view, this had become evident in a number of instances.

For example, in cases where the US had, for reasons best-known to themselves, found it necessary to cut down on French listed requirements for end-items, there had been a marked absence of explanation, on the part of US authorities concerned, to impart the reasons for the reduction. In this connection, he felt there were two ways for dealings between associates in a given project: either (a) to treat each other as a partner, which necessarily involved frank discussion of common problems, or (b) to resort to the employment of lawyers in the handling of matters of common interest; the latter procedure was more than apt to lack, on the part of both parties, the useful knowledge of the background on each other's actions. In this connection, he had in mind a recent note, [2] delivered to his

[2] This is presumably a reference to the U.S. reply delivered to Pinay on Oct. 8; for the text of this reply, see Document 542.

Government, regarding financial aid which had a very definite bearing upon military requirements for France. Characterizing this note as having been written by lawyers, M. Pleven said that, had the US authorities concerned only discussed the whole matter in advance of writing the note, they would have learned that the French Government had already gone very far in its active consideration of the military problems involved.

M. Pleven went on to say that, with further regard to his Government's impression of a lack of confidence on the part of the US, he and his associates had gained the impression that, prior to the intensification of the political campaign in the US, both the President and the Department of State had shown clear comprehension as to France's position in regard to NATO and SHAPE's mission, but that, unlike the President and the Department of State, the Pentagon had shown a distinct inclination to be distrustful of France. It was furthermore felt that the intensification of the political campaign had served to divert the attention both of the President and the Department of State during the past four or five months, with the result that the Pentagon had been running things in Washington. He was apprehensive lest France was suffering in American eyes as a result.

Indochina

It was, furthermore, the impression of his Government that the Pentagon lacked comprehension as to France's position vis-à-vis Indochina, and the effect upon France's military build-up in Western Europe, of continued fighting in Indochina. He personally had gone all-out in an effort to enlighten American opinion, and he had had reason to believe that Washington, in general, and the Pentagon, in particular, had been given a clear picture of France's position in the matter. For that purpose, he had encouraged the visit of the late General de Lattre to the US; he had even gone to the US Ambassador and had requested the French Ambassador and his staff to follow up on the late General's visit there, and his efforts at clarification. [3]

The main purpose of these efforts had been to show that Indochina was no longer a colonial consideration, but rather a strategic action within the broad concept of containment; that whatever investment had been made in Indochina had been wiped out by the cost of the campaign there, during the past seven years. Indeed, the costliness of this seven-year campaign had been so considerable as not only to have wiped out the French investment in that coun-

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[3] General de Lattre de Tassigny, French High Commissioner in Indochina and Commander of French Union Forces, visited Washington in September 1951. For documentation on his visit, see *Foreign Relations*, 1951, vol. VI, Part 1 pp. 480 ff.

try, but also to have caused serious drain on the manpower as well as the financial resources of France. If France were to withdraw today, she could probably make available the cadres of some sixteen to eighteen divisions to the SHAPE military build-up.

Financial Difficulties

Another point upon which he did not feel that the Pentagon was showing comprehension, was that of France's financial capabilities. In his post as Minister of Defense, he was in the position of one whose friends were encouraging him to join a regiment which required on the part of the candidates sufficient financial resources to purchase special uniforms, to cover animal upkeep, entertainment, etc. Under normal circumstances, knowing that it would be too rich for his blood, he would have been frank to say that he could not afford to join. However, conditions of the times were such as to persuade him to abandon this fundamental consideration, and to go along on the basis of "best efforts". This was approximately France's position in relation to the over-all SHAPE effort. She was making every effort to meet General Ridgway's requirements, notwithstanding the fact that she had made commitments, even aside from the military field, which she was finding it extremely difficult to fulfill. His doubts as to whether the Pentagon fully grasped this situation were, for him, a matter of real concern.

He wondered whether the men of the Department of Defense really understood the meager lot of the average Frenchmen—how difficult it was for him to make both ends meet. He wondered, for example, whether they understood what the Minister of Defense received, what the wife of the Minister of Defense in France had to do to keep her house going, and at the same time to make it possible for her husband and herself to meet their official obligations. Many an American in public life, who visited Paris, saw only the "bright lights" and the brilliant atmosphere created for the benefit of tourists. He only wished that those same individuals might see the way the average Frenchman lived. The former would have a much clearer idea of what France was up against.

Two Years' National Service

As regards the question of 24 months' national service, M. Pleven assured me that his Government was determined to achieve this; that it took time to accomplish it (he readily admitted), but he did want me to know that there were a number of factors which contributed toward constant resistance to the project. For example, the average Frenchman had witnessed, during World War II, the vast amount of heavy equipment used by the US forces, and its effective employment. They had been impressed, moreover, by minimum loss of life among the American troops, a fact which they attributed to the use and manner of employment of this heavy equip-

ment. Hence, that same average Frenchman would today be the more ready to have his son called up for national service if he were aware of the availability of an adequate number of tanks, heavy guns, etc. Furthermore, there was many an individual in the National Assembly who fought in the Resistance forces in World War II. In preparation he had received only three months of training and, generally speaking, had acquitted himself creditably. It was therefore difficult for him to understand why two years would be necessary for training the youth of today. That same man, of course, would be the more appreciative of the necessity of the two years' national service period, if he knew of the existence of the heavy equipment and modern weapons which required a more lengthy time of training than the light equipment with which he himself had been trained in the Resistance forces. Hence, the lack of heavy equipment today rendered the Government's position a difficult one in its efforts to forward the required two years' national service period, notwithstanding the fact that the Government was determined to achieve this end.

In connection with the foregoing, M. Pleven added that the curve in the birthrate in France showed a considerable dip in the years 1945–1952. He was seriously concerned lest this might affect the national service call-up in the course of the next several years. This was a problem which his Government was currently studying.

US-French Negotiations: French Concern

At this point, M. Pleven referred to certain US financial assistance discussed during the Lisbon conference. He said that in talking to the US representatives, the French representatives had discussed a requirement for France amounting to $500 million for 1953, and a requirement for Indochina amounting to $150 million also for 1953. On 15 August 1952, the French Government had asked for a confirmation. Not until 8 October 1952 had an answer been received. Moreover, the US had cut down the French total requirements of $650 million to $525 million.

As regards end items, the French Government on 15 April 1952 had sent an inquiry to the US Government regarding end items. Not until 8 October 1952 had M. Pleven been answered. Moreover, the answer bore the date of 21 August 1952. From the French standpoint, the answer was definitely unfavorable:

a. In the case of electronics equipment, France had stated an urgent requirements of approximately 11,000 sets, whereas the answer showed none available.

b. As regards tanks, France had stated a requirement of 918. The answer had shown only 37 available.

In this connection, Mr. Pleven handed me the attached copy of the aforementioned reply, [4] for the information of General Ridgway.

Mr. Pleven went on to say that, as he had previously mentioned to me, he was greatly disappointed not to have been told the reasons for the reductions, in response to his query. This had placed him in a position of not being able to explain the matter to his associates. They were, therefore, left to their own speculation, and characteristic of the French mentality when not given the reasons for a certain action, their imagination took the worse form. For example, the predominant thought was that the US was saving for Germany the bulk of the equipment required for France. As he had previously emphasized, it was so important to treat the French with confidence as partners, and to be completely frank in dealings with them. Otherwise, they were apt to jump to conclusions based on speculation.

A further matter of concern in the above connection was the fact that the US authorities had imposed upon him certain obligations regarding the end items actually offered—such as keeping a check on the condition of the equipment with a view to the US determining its disposition upon obsolescence. These terms were impractical, and his Government preliminarily had taken a dim view of them.

As regards ammunition and propellants, his Government had thus far had no word from the US authorities concerned. He failed to understand the US position in the matter, particularly after their having expressed such urgency in the matter.

Conclusion

Summarizing the foregoing points, M. Pleven stated that, in view thereof, his Government found itself, financially and production-wise, in a difficult spot. Moreover, he was concerned over the possible effect thereof upon the military build-up of the 1953 military commitment, which he and his associates had been discussing.

General Ridgway's Recent Statement to the Press

Prior to concluding the discussion, M. Pleven referred to General Ridgway's recent interview with the US press correspondents [5]—the interview which had been garbled by the United Press article. He stated that, as regards the points which General Ridgway actually did raise, there was no exception taken by the French Government. In fact, the Government readily admitted that the General was completely correct. But what did affect their sensibility was

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[4] Attached to this memorandum was a two-page table, not printed, outlining the principal reductions of the military aid program to France.

[5] This is presumably a reference to General Ridgway's statement to the press in Paris on Sept. 29, 1952, that he considered the forces under his command as Supreme Allied Commander in Europe to be inadequate for their defensive task.

the absence of some reference to the British military commitment to NATO, for the French were very critical of the British on this score, inasmuch as they felt that the British had insufficient forces on the Continent.

A. J. DREXEL BIDDLE

No. 548

740.5/10–2152: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET NIACT PARIS, October 21, 1952—7 p. m.

2458. Pinay has just had me to luncheon with himself and Pleven. He asked me to his private apartment rather than to the office of the presidency in order to have a friendly and intimate discussion of present situation.

He said in the first place that he hoped I had not been worried by recent attacks against EDC by Herriot, Daladier, Faure and others. He wished to assure us that attitude of govt had not changed in any way from their firm determination to bring EDC treaty before Parliament for ratification and to insist on its approval. He said there were appropriate answers they could make to attacks directed on particular articles of treaty and the entire govt is prepared to support ratification in every way.

He said there was one point of attack, however, which would be very difficult to meet, and he felt that our assistance was essential in that regard. He said that this referred to the position taken by the opponents of ratification that because of the heavy drain on Fr resources of manpower and expenditures in Indochina, Fr would be entering the European community in such a weakened state that it wld be unable to maintain its position as one of the leading nations in that community. He said this brought into relation with the question of ratification of the treaty, the amount of assistance that wld be given to Fr defense arrangements, including both Fr itself and Indochina. Pinay said the three great difficulties he had to face in the parliamentary session now reopening were EDC, the military budget and Indochina. He said all of these things were tied together and that if the reduction in American aid below the 650 mil dol figure he spoke of in his letter of Aug 8 [1] were to be maintained, he feared the advantage with regard to the question of an inferior Fr going into the EDC wld be on the side of the oppo-

[1] Transmitted to the Department of State in Document 535.

nents of ratification. He said that this was not a question of figures, because only experts and those who had a profound knowledge of the subj know what the figures in the case mean, but that the very idea that American aid was less than had been counted upon was an idea that wld permeate public opinion. He said that the full amount of aid contemplated and already included in the budget estimates, that is 650 mil dol, could make an overwhelming case for Fr being able to carry on effectively in Indochina and build up to the force goals for 1953 which were within the picture projected by NATO and also and even more particularly within the picture with respect to the position of Fr in EDC. He therefore felt that if this matter were given full and careful consideration by our govt, and all the facts of the present picture carefully laid before them, we wld realize the strong advisability of not allowing a reduction of aid of a comparatively small percentage to bring about the failure of the Fr Govt to accomplish the objectives for the future peace of Europe in which we were all so vitally interested.

The Prime Minister said, and in this he was seconded by Pleven, that the Fr Govt was fully confident that it could bring about the ratification of the treaty after full and frank discussion of articles on their merits, provided he could meet this one objection which had such a strong effect upon public opinion, that is, of Fr entering the community with inferior resources.

Pleven said that he considered this situation so dangerous for the parliamentary picture that, although the general budget was to be presented these days for discussion, he was unwilling to present the military budget on basis of present figures, that is, fitted to a reduced American level of aid, and that he wld have to ask for an extension of time for presentation of the military budget.

I am reporting foregoing on most urgent basis, and my comments will follow. [2]

DUNN

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[2] For Dunn's comments on this meeting, see telegram 2556 from Paris, Oct. 24, *infra*.

In a memorandum to Perkins, dated Oct. 22, Ridgway B. Knight gave his reaction to this telegram. He stated that regardless of the right and wrong of the legitimate irritation "over tactics which border on open blackmail" the United States would find ways of supplying an additional $125 million if that would ensure ratification of the EDC. If the money were supplied, he asked, what assurances would the United States have that there would not be additional French requests along the same lines. (751.5 MSP/10–2252)

No. 549

740.5/10–2452: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, October 24, 1952—9 p. m.

2556. Cotel. Mytel 2458. [1] I would certainly have had more respect for Pinay's presentation to me at lunch Tuesday, if it had been put on a broader basis and was not so narrowly directed to our level of defense aid. I have therefore given careful consideration to entire present situation before furnishing Dept with analysis and my considered recommendations.

In first place, Pinay make it look as if United States aid and hence size of military budget was principal impediment to ratification of EDC and that if $650 million figure is met, other parliamentary objections to treaty could be easily overcome. I believe this is exaggerated. Problem of Brit association with EDC and Franco-German agreement (or lack of it) on Saar, specific criticisms of Herriot, general fear of German rearmanent and of German's breaking out of EDC, will remain important factors until debate ends. However, Pinay is right in that most powerful argument of EDC's opponents is that France cannot match German's defense contribution because of drain in Indochina. Furthermore, this is only argument of EDC opponents which United States can do very much to overcome.

Secondly, how to provide adequate defense contribution in Europe while continuing war in Indochina would be one of Pinay's principal problems even if he were not faced with EDC ratification this year. It would also be one of principal Franco-American problems, EDC or no EDC. The imminence of EDC ratification date, however, makes both Pinay's problem and our problem more acute.

The war in Indochina and consequent drain on French financial, material and manpower resources and public debate as to whether France would be continuing to fight this war at all, all combine to make size of military budget and level of United States aid to France liveliest and deadliest political subject with which govt has to deal. Blunt and distorted as Pinay's presentation may have been, he was talking as political man dealing with a most dangerous issue, an issue, which, while essentially domestic-political one, directly involves a foreign govt. Schuman could not attend lunch because of OEEC and Pinay is no diplomat, but there was no mistaking deep conviction with which he spoke and fact that he was in

[1] *Supra.*

real trouble. Schuman later told me he agreed with Pinay's conclusions.

Dangers in this situation from United States point of view (question of EDC ratification apart) are that French public opinion and hence principal political and parliamentary leaders, who are largely ignorant of magnitude of our end-item aid to Indochina, will associate what they call "reduction" in United States aid figure as directly applicable to French efforts in hot war in Indochina. As reported in Embtel 2288 [2] intimations along this line, perhaps officially inspired, had already appeared in press where our immediate and sharp denial received little play. There is unfortunate tendency in France today to blame many of nation's problems on United States and it is but one step further to associate possible reverses in Indochina with "reduction in United States aid". Govt here in present political atmosphere could hardly be expected actively to discourage such formulation.

Labouisse and I have fully supported, for reasons well known to you, granting of full $650 million figure to Fr Govt. Distasteful as Pinay's narrow approach is to us, we do not feel that it would alter recommendations which were in part based on probability of our being faced with just this situation. Consequently, I urge reconsideration of our position taking into account considerations set forth above.

It is becoming increasingly important that we end as soon as possible the present situation in which everyone, from Pinay and the govt to important leaders of opinion and opponents of the govt, is blaming the United States "reduction" of defense aid for all their ills, including their difficulties in Indochina.

We should, it seems to me, get this discussion on the volume of aid in relation to the French military budget in such a state that we can publicly relate our assistance directly to the heavy drain on French resources in connection with Indochina.

Accordingly, I recommend authorization to inform Pinay as soon as possible along the following lines:

How the French Govt develops its military budget is of course a matter for the French Govt to determine. We are anxious, however, to direct our assistance as much as possible to the support of Fr military operations in Indochina and it is hoped that substantial amounts of our budgetary support can be directed to that end. As to the amount of United States budgetary support for FY 53, we

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[2] This telegram reported on a lead story in *Le Monde* on Oct. 14 concerning the reduction of U.S. aid and how it would affect the war in Indochina. In response to press queries, the Embassy stated that U.S. aid to France had not been finally determined and that there was no attempt to specify the division of such aid between the defense effort in Indochina and the Metropole. (951.61/10–1452)

shall make every effort to increase the amount of aid as much as possible, taking into account the whole picture as to American aid to the NATO countries. The final determination of the total budget supporting aid from reduced Congressional appropriations can thus only be determined in connection with the NATO annual review, but we are desirous of entering at once into technical conversations with the French on this subject.

In conveying a message along the above lines, it would be essential in my opinion that we be prepared, with respect to counterpart, to take a position in our further detailed discussions on aid along the lines of our recommendations contained in para 6 of Embtel 2213. [3]

Labouisse is adding further comments, particularly as regards the line to be taken in continuing talks with the French, in a separate message to MSA/Washington.

DUNN

[3] Document 545.

No. 550

611.51/11-353: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET NIACT PARIS, November 3, 1952—1 p. m.

2729. Franco-American relations are cooler than at any time since Gen de Gaulle resigned in 1946. Dept knows causes, on one side as on other of Atlantic, and object of this message is neither to summarize nor to analyze them. France's major internatl troubles, however, when placed in proper (not Auriolesque) perspective are of almost as much concern to us and to Atlantic Alliance as to Fr. They are intimately connected and cannot be considered in isolation from the other. Forthcoming weeks offer real, if limited, opportunities to palliate if not to solve some of these troubles, and as their psychological aspects are sometimes as important as their substantive ones, palliation at this particular time is not unimportant.

Principal issues are:

(1) US aid and Indochina,
(2) North Africa,
(3) Germany–EDC–Eur Union.

Reasons for this telescoping will appear as each item is analyzed.

[1] Repeated to Tangier, Rabat, and Tunis.

(1) US aid—Indochina. For present fiscal year the maximum (in addition to end-item aid and normal OSP) that Fr have any reason to hope for is $650 mil. Rightly or wrongly, Fr public opinion has been conditioned to this figure as fair and equitable US contrib to Fr mil budget for Metropole and Indochina and as figure US had led Fr Govt to expect. Fr public opinion has also been informed that, with this assistance from US, Fr can develop mil program which will enable achievement of 1953 objectives in Fr NATO build-up and Indochina operations. Again rightly or wrongly, if $650 mil is not made available during course of annual review the "shortfall" in US aid will continue, in Fr public opinion, to be cause of any failure of Fr to meet not only mil targets but essential civilian requirements. By granting differential between 525 and 650 and accepting Fr link to Indochina we gain out of all proportion to sum involved. Concurrently, of course, we shld undertake continuous judicious release of pertinent statistics and related info to disabuse Fr Parl and public of widespread picture of Fr alone bearing full Indochina burden. Substance of long-term Indochina problem is too vast to be tackled now.

(2) North Africa is psychologically most important to Fr and our support of their presence there costs us nothing financially. Furthermore, national interests, political as much as strategic, are bound up with their staying there, at least during present imbalance between Soviet and free world. Lack of coherent and forward-looking Fr policies directed toward autonomy are a matter of real concern. On other hand, UN "interference" and impression we constantly give publicly that we are "against" them have strengthened hand of narrow-minded elements and weakened that of broad-minded elements. Tunisian and Moroccan nationalism of a narrow sort, when it receives or appears to receive outside (especially US) support, encourages same sort of narrow nationalism here. Future of Fr presence in N. Africa lies in peaceful co-existence of Fr and native communities, and final solution depends on way Fr deal with problems they face there. For immed future, however, our interests lie in keeping Fr there and our influence with Fr Govts re encouraging liberal policies will be greater by making our interests manifest rather than by voting against them in UN and giving their most vocal opponents radio time on VOA. This will not please certain Arab and Asian Govts and certain sections of US opinion. But we have made choice and must now avow it both in UN and elsewhere. Clearly and consistently stated policy of supporting (a) continued Fr presence in N. Africa and (b) progress toward autonomy through direct French-N. African negots wld be far preferable to recent sitn in which our policy has appeared to both Fr and

Afro-Asians as confused and vacillating and which has gotten us worst of both worlds. [2]

(3) Ger–EDC–Eur Union. If Fr receive consideration on two points discussed above, there is little else we can or shld do of a positive nature during forthcoming weeks. Negatively, there is much we shld avoid doing—bustling the Fr on ratification of EDC (although quietly encouraging ratification of other five nations may prove to be in order), threatening dire consequences if they don't hurry or worse if they don't ratify at all; giving public evidence of favoring Ger policies (Saar) or Ger industrial expansion or premature Ger rearmament (OSP); reviving war memories by supporting early measures for clemency of war criminals, etc.

If question of Ger defense contribution comes up in Dec 15 NAC mtg, [3] relation of EDC ratification to urgency of NATO build-up will become clear. This development without US having to take lead shld in itself put considerable pressure on Fr to understand and to face her responsibility, particularly if Ger Bundestag has ratified EDC treaty by that time. Our guess is that majority of Fr Parl and public know they probably must accept EDC for better or worse. Best proof is that most virulent opponents have not come up with viable alternative. But in absence of comprehensive understanding on N. Africa, US, Indochina, opponents may force indefinite delay in ratification of EDC.

All of us here consider these issues basic to Franco-American relations at present time. Lines of action suggested above appear to be within our means and to coincide with our interests, failure to follow substantially such course runs risk, in our opinion, not only of further serious (and unnecessary) deterioration in relations but also of jeopardizing attainment of major US objectives in NATO, SEA and with respect to Ger and EDC. [4]

DUNN

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[2] For documentation on French North Africa, see vol. XI, Part 1, pp. 127 ff.

[3] For information on the North Atlantic Council meeting, Dec. 15–18, held in Paris, see the editorial note, vol. V, Part 1, p. 348.

[4] In telegram 989 from Saigon, Nov. 13, the Embassy noted its concurrence with the recommendations contained in this telegram and added that a shortfall in U.S. aid might be seized by the French as an excuse to reduce their effort in Indochina. When compared with the fighting in Korea, where U.S. expenditures were much greater, the Embassy concluded that the war in Indochina was too important for the United States to quibble over the sum involved. (611.51/11-1352)

For Acheson's personal reply to this message, see Document 554.

No. 551

740.5/11-452: Telegram

The Acting Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, November 4, 1952—7:26 p. m.

2609. For Dunn and SRE. This is State-DMS-Def-MSA message.

1. We are anxious to take all possible steps secure adequate appropriations for FY '54. Anticipate strong pressures on part any new admin to reduce expenditures and taxes and expect careful look at aid programs which are always considered vulnerable category of expenditure. We believe aid given in '53 and proposed in '54 to some countries (particularly French) as given for purposes budget support rather than meeting dol deficits will have to be carefully justified. Congress has always been strongly skeptical of wisdom asking US taxpayers to cover expenditures which might be met by taxpayers other countries. We desire to do all possible to assure that "mutual aid" is not merely matter US footing everybody's deficits but that some other countries are giving mutual aid in financial or goods terms.

2. After considerable discussion have concluded tentatively that extremely helpful Congressional reaction wld be forthcoming if such aid cld in some way help Fr, to whom we are being most generous, but that it unlikely other Eur powers can be persuaded help Fr directly for their NATO effort. Believe best prospect lies in suggesting that they assist in carrying on one of active wars being waged against Communists, namely Fr effort in Indochina. Wld have in mind some kind of arrangement by which money or goods help wld be given to effort of Associated States without passing formally thru Fr budget.

3. Our present thinking is that, while not excluding any NATO countries as possible candidates for at least token assistance to Fr effort in IC, initial efforts might best be made with Canadians and Belgians. This choice dictated primarily on grounds their ability to contribute money or goods. Also however feel important not to start with Colonial powers with interest in Far East like Dutch.

4. In thinking about possible Canadian contribution we recognize desirability of having any proposal take acct Canadian desire have any aid they may provide contribute to their industrial development. It shld be possible to match some portion of mil requirements for Indochina with Canadian mil-industrial program. Consid-

[1] Drafted by Martin and Moore; cleared with R. B. Knight, Raynor, Gibson, Battle, Halaby of Defense, Ohly of DMS, and Cleveland of MSA; and repeated to Brussels and Ottawa.

eration of possible Canadian token contribution to Indochina effort shld not rule out idea that Canada might also provide assistance in some form to UK either as result of Commonwealth programs or further NATO approach, shld developments make this feasible.

5. Of course US cld not take any initiative in such matter but must act in support of Fr initiative. Recognize that present is inopportune time to explore this subj with Fr but wld like have views Emb Paris, SRE, Brussels and Ottawa so we can proceed promptly along most effective lines when Fr situation becomes clearer. In thinking about this problem wish to emphasize that what we have in mind is Fr request for such assistance as sovereign govts might choose to give and that US could not of course take position on amt or form of this assistance, altho we wld be willing support Fr request shld it be decided to proceed along these lines. Also bear in mind importance keeping it clear that IC war shld not be made UN operation.

6. This possible approach discussed fully Draper here and substance concurred in by him.

BRUCE

No. 552

751.5 MSP/11–752: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, November 7, 1952—7 p. m.

2854. 1. Re Deptel 2612, Nov 4, [1] Labouisse and I called on Pleven this morning. I informed him that, following the request made by him and Pinay on October 21 (see Embtel 2458 [2]), I had taken up with Washington the matter of increased aid for France; that this had been carefully considered by the agencies concerned; but that it was not found possible to go beyond the statement made in my October 6 letter. I referred again to the statement in that letter to the effect that the final determination of aid would depend largely on the results of the Annual Review.

2. Pleven did not evidence great surprise at this reply. I had the impression that the Govt had already decided on the position they would take in the event of receiving this answer. He said that he

[1] Telegram 2612 informed Dunn that the Department of State could only authorize him to go over the same ground covered on Oct. 6 (see footnote 5, Document 542) since no further promises regarding aid over $525 million could be made. (751.5 MSP/10–3052)

[2] Document 548.

would go ahead with his military budget presentation and the NATO submission. He hopes to have his budget presentation completed and acted on by the houses of parliament before end of year, preferably by mid-December.

3. As to size of budget, Pleven said it would be about 1420 billion francs, but that he intended also to propose a "conditional tranche" of 44 billion francs. The latter would indicate the additional effort France would undertake if full $650 million of United States budgetary support is made available. He said that the 44 billion francs would be used to finance training and equipment and provisions for some 40,000 additional troops. Great bulk not all of hard items planned for Fr NATO forces and for Indochina are apparently covered by basic 1420 billion franc budget. (Pleven pointed out that production segment of budget was at lowest feasible level, and that there would still be serious shortages in some items.)

4. In speaking of size of French military effort, Pleven said that France now had under arms more than 900,000 men (excluding Assoc States national armies) which is more than in 1939. He also stated that if United States troop pay scale used, French budget would have to be equivalent of one billion dollars larger. In this connection, he pointed out that soldiers themselves were not only making extra personal sacrifices, but that, because of low pay-scale, families often had to help supplement personal needs of sons in forces. This he said could be considered as additional taxation.

5. We repeated to Pleven what had previously been said about necessity for fuller information as to production items in military budget. We pointed out that of United States budget-supporting assistance presently set at $525 million, part would be in form of defense support and part as OSP; that it was important, if we were to get on with necessary selection of items to be bought by US, that we have physical break-down of items in production budget; that it would also be most helpful to have information as to assets and requirements of hard items. We made point that this type of information needed not only to enable us to make selection of items, but to make adequate reports to Congress re expenditures. Pleven agreed to give us the information we requested. It was made clear that this was on an informal and unofficial basis. It is our opinion that France will cooperate well in this regard if we handle matter very informally and do not give them the impression we are "demanding" information and want it as basis for telling them what to do.

DUNN

No. 553

Editorial Note

During the Seventh Regular Session of the United Nations General Assembly, which met in New York from October 14 through December 22, several meetings between Secretary of State Acheson and representatives of the United Kingdom and France and numerous United States-French bilateral meetings were held. On November 8 a United States-French meeting concerning General Assembly items relating to North Africa took place. The following day, a tripartite meeting was held with the French and British which was devoted to a discussion of North Africa. For a record of these meetings, see volume XI, Part 1, pages 839 ff. On November 13 a meeting was held which included United States and French representatives and dealt with the pending United Nations resolution on Korea. A record of this meeting, as well as copies of the numerous position papers prepared as briefing documents for the Secretary of State and his advisers, are in Conference files, lot 59 D 95, CF 132–134.

No. 554

611.51/11–852: Telegram

The Secretary of State to the Embassy in France [1]

SECRET NEW YORK, November 8, 1952—11:45 a. m.

6. For Dunn from the Secretary, I have read with much interest and profit your 2729.[2] I agree with you on the substance of your telegram and within the realm of the possibility we are trying to act along the lines which you propose. I had hoped that you would be returning to Washington so that we could have a thorough discussion of the problems which confront you in Paris and us back here. As this is postponed for the time being, I would like to try to think out loud with you.

Be it North Africa, Indochina or aid, our difficulties with our French friends appear to stem from the fact that while we are able to support them and agree with them up to 90 percent of their

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[1] Repeated to the Department of State as telegram 375, which is the source text. Acheson was in New York to attend several meetings of the Seventh Regular Session of the United Nations General Assembly and to hold discussions with various Foreign Ministers. For information concerning his meetings in New York with representatives of the French Government, see the editorial note, *supra*.

[2] Document 550.

views and wishes, we just cannot do so 100 percent, and this for many reasons.

That France is a cornerstone in the edifice which we would be happy to see constructed in Europe should be apparent. For more than two years we have been seeking every possible way to ease the problem of German participation in the defense of the West. First the French sought to get out of this quandary through Moch's proposal and then through its heir the Pleven Plan, the latter of which we have consistently supported. At no time have we hinted at what the French themselves fear in the back of their minds nor sought by any means whatever to foster a German military effort without an equivalent French effort, in order to achieve our security goal. This patience does not result only from the sentimental and human values which we place on France—rather it reflects our mature judgment that European security and thereby our own rests on France and Germany and not on France or Germany. As you know we have not prodded France re EDC ratification for all the complex reasons which you and I appreciate and know would be counter-productive; neither do we intend to do so at this time, preferring to seek prior action by the other five EDC countries which should bring our French friends to face up to their decision and in a way which should lead them to make the decision which we sincerely believe to be in their own best interests.

With reference to the aid figures, I do not see how outside of the AR, we can give them the satisfaction which they ask and commit ourselves to $650 million worth of budget supporting aid. The French themselves have periodically requested a collective approach to the NATO task and we just cannot prejudice the entire AR by agreeing to this figure bilaterally. The amount at stake of $125 million is not only a very small percentage of the total French military budget, but is a relatively small percentage of our total aid to France. Parenthetically in this regard, I am not happy about the manner in which our end-item assistance both for France and IC seems to be largely disregarded in France.

With regard to North Africa we intend to support France in the UN if the French give us the minimum means of doing so by at least stating their case in positive terms. We will do so because we think this serves our own best interests and because we think it is right. This is not to say that this course of action will be popular, for it will not. As an example of the type of assistance which we are prepared to give, I refer to Deptel 2662 [3] stating that we have

[3] Telegram 2662 discussed the U.S. position concerning the Tunisian and Moroccan items on the agenda of the General Assembly. (320/11-652)

taken a position that we will oppose any oral hearing of Tunisian and Moroccan representatives in the General Assembly. We are aware of the thorny problem of competence and regret that we simply cannot take any other position thereon but to admit competence. As you know our legal experts are unanimous on this point. However, in general, we are determined to be of help on the substantive issue and resolutely to oppose any action in any way condemnatory of France.

I agree with you fully that our relations with France have never been more complicated and tense since we had to deal with De-Gaulle. I realize full well the complexes and attitudes which render your task so difficult and with which we must successfully deal if a sensible solution is to be found both in terms of our interest and those of France. I assure you that the French attitude is both well known and understood in the Department. We will do our utmost to take it into account in our actions. I am not entirely sure that the French Government is equally conscious of the situation and state of mind which face us at home and of the limitations imposed by our general responsibilities which prevent us at times from entirely complying with French desires. We must, of course, at all costs avoid a situation that will enflame public opinion here into demanding a retraction from the European continent in the face of what this opinion might consider an unreasonable and uncooperative attitude on the part of those who must remain our French friends and close allies in Europe, Africa and the Far East.

I fully realize that you are doing everything within your power to present the American problem to the French in Paris, and I assure you that I shall do everything possible along the same lines during my meetings with Schuman over the next few days.

ACHESON

No. 555

740.5/11-1052: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, November 10, 1952—7 p. m.

2870. Re Deptel 2609, Nov 4. [1]

1. We have considered with great interest the possible line of approach outlined in reftel, and we fully appreciate the desirability of having others participate in assisting France in financing the Indo-

[1] Document 551.

Chinese operations. We assume that reftel concerned with aid that would only alleviate strain on French budgetary resources, and that manpower assistance not considered in this context. It is the budgetary strain which deeply affects French thinking in NATO, EDC, Germany and defense questions in general. They would equally welcome any prospect of relieving drain on Friday [*French*?] military manpower but at present time seem to expect such relief only from "settlement of Indochina war" or eventual development of Associated States Natl Armies, as they apparently see any military participation by other countries, in absence of overt Chinese intervention, as highly unlikely and perhaps undesirable.

2. French have long been anxious for internatl recognition that they are defending Indochina in interest of free world rather than merely waging a colonial war. You will recall that during Secretary's discussion with French ministers last May, Pinay's first question was whether US did in fact recognize Fr effort in Indochina as in general allied interest rather than purely Fr interest and that Secty replied in affirmative.

In recent weeks there has been increasing public discussion of this situation and increasingly frequent statements that Fr could not continue indefinitely to carry by herself the burden of a war in which her natl interest was less of a controlling factor than of preventing the spread of Communist aggression in Southeast Asia.

3. It seems to us that pre-condition for obtaining even symbolical aid from other countries is establishment of pol framework for associating them with Fr effort. Fr may have had this in mind when they suggested Southeast Asia problem be discussed tripartitely in Dec. Should Fr themselves bring up in immediate future question of possible approach to other countries, we believe we should refer to Secty's reply to Pinay last May, reiterate our belief Indochina campaign of interest to free world rather than solely to France, state that we support in principle the idea of obtaining and organizing additional assistance from other nations, and that we would be prepared to support such Fr proposals to this end as might be practicable and desirable.

4. On other hand, any initiative by us at present might well, in current state of Fr thinking, arouse strong suspicion we merely seeking ways of reducing our own assistance. This might have seriously discouraging effect on their own determination with respect to Indochina. Accordingly I hope no steps will be taken with Fr at this time along lines reftel, and fact that we are even considering subject should be most closely held.

DUNN

No. 556

751.5 MSP/12-952: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PRIORITY PARIS, December 9, 1952—noon.

3361. Cotel. This is joint Embassy-MSA/Mission telegram. For Acheson and Harriman. French will undoubtedly raise with you when you are in Paris question of final aid figure from FY 1953 funds in support their 1953 military budget. Labouisse and I thought it might be helpful for you to have our views as to action US should take in light all circumstances. Following brief paper recapitulates background and contains our recommendations.

Begin text.

I. The problem

To determine the final figure of US assistance from FY 1953 funds in support of the French CY 1953 military budget, taking account of the important political economic and military factors involved.

II. The background

A. In his letter of August 8, [2] PriMin Pinay informed the US Govt that one of the assumptions on which the French CY 1953 military budget was being constructed was that French resources available for the 1953 military effort would be augmented by the franc equivalent of $650 million in US budget-supporting assistance, and he asked what form the US assistance would take.

B. The French Govt had taken the position that on the basis of the bilateral discussions at Lisbon in February 1952, when coupled with the Letourneau talks in Washington last June, had good reason to count on $650 million of budget-supporting assistance from the US for application to the CY 1953 French military budget. The French agreed however there was no firm commitment made in those talks as to the final amount of aid.

C. The US replied to M. Pinay's letter on October 6, [3] stating that $525 million was the maximum assistance on which the French Govt could count at that time, but indicating that the final determination as to the amount of US assistance would depend largely on the NATO annual review.

D. Between the date of Pinay's letter and our reply, the French had made known publicly that they were planning on $650 million

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[1] This telegram was sent in response to telegram 3203 to Paris, Dec. 5, which informed the Embassy that the Secretary wanted a paper giving the historical background of the problem concerning aid to France and making recommendations relating to the issues involved, in case the French raised the subject during the NAC meetings in Paris in December 1952. (751.5 MSP/12-552)

[2] Transmitted to the Department of State in Document 535.

[3] Transmitted to Paris in Document 542.

of assistance, and that their budget was being made up on that basis. The PriMin has informed us that French opponents to ratification of EDC, as well as those wanting to curtail Indo-Chinese operations, will use the fact that the military budget must be reduced by an equivalent of $125 million as an argument to support their views to limit French commitments. He twice requested, on October 8 and October 21, [4] reconsideration of the $525 million figure. Upon Washington's instructions the French Govt was informed on November 7 [5] through M. Pleven that the request for increased aid had been reconsidered but that it had not been found possible at that time to go beyond the statement on aid contained in our October 6 letter.

III. The present status

A. On December 1 the French Govt laid before Parliament the text of the CY 1953 overall military budget, including Indo-China.

B. The elements of this budget are as follows, in comparison with those of the CY 1952 military budget (billions of francs):

(*Note*: Two columns headed: 1952 voted and 1953 proposed—latter subdivided into three columns headed (1) unconditional portion, (2) conditional portion, and (3) total both portions.)

French contribution 1205; 1247; blank; 1247.

US assistance 195 (see footnote 1); 173 (see footnote 2); 44 (see footnote 3); 217 (see footnote 4).

Total appropriations 1400; 1420; 44; 1464.

Footnote 1. This figure is composed of the counterpart equivalent (175 billion francs) of the Lisbon figure of $500 million in budget supporting aid from FY 1952 funds, plus additional 20 billion francs which is expected to accrue in CY 1952. 175 billion francs has already been released to the French in CY 1952 from FY 1952 and prior aid, and they have now requested utilization of the additional 20.

Footnote 2. Counterpart equivalent of $525 million in FY 1953 aid, less 10 percent of the defense support segment of the total (French estimated this segment at $300 million).

Footnote 3. Counterpart equivalent of $125 million (difference between $650 million and $525 million).

Footnote 4. Counterpart equivalent of $650 million in FY 1953 aid less the 10 percent deduction described in footnote 2 above.

C. The French Govt's budget presentation states that the "conditional" appropriations of 44 billion francs will be utilized in CY 1953 only if additional assistance (above $525 million) is forthcoming from the US.

D. A total French military budget of 1464 billion francs in CY 1953 has been described by Prime Minister Pinay and Defense Min-

[4] For a summary of Dunn's meeting with Pinay on Oct. 8, see Document 543. For a summary of the Oct. 21 meeting, see Document 548.

[5] A record of this meeting was transmitted to the Department of State in Document 552.

ister Pleven as the minimum needed to allow France to fulfill its commitments, both for the defense of Indochina, and for the NATO build-up.

IV. US objectives

A. We want the maximum French military budget in CY 1953 that is both possible and desirable, taking into consideration political and economic factors. It seems to us clear that a French contribution in the neighborhood of 1250 billion francs is the limit of France's present politico-economic capabilities, viewed on a realistic basis. On the other hand, it would be most desirable to have the French overall military budget in CY 1953 attain a level of 1465–1475 billion francs, both because of the increase in standards of readiness and infrastructure construction of a budget of this size would permit, and because of the fact that such a budget has been accepted in French parliamentary and public opinion as the minimum required to fulfill France's military commitments.

B. In terms of Franco-American relations and our wider political objectives, it is in our interest to eliminate the question of the level of US aid to France in 1953 as a possible adverse factor in the question of the ratification by France of the EDC, and in the question of the continued defense by France of Indochina.

C. We should seek to achieve the maximum advantage from the use of available MSP funds. In light of the fact that FY 1953 is almost half over and as it appears possible that the available funds may not be fully committed, we should make the decisions now when they can have the greatest effect, rather than postponing decisions until the completion of the annual review or until it is too late to make effective use of the funds. Solution of the question of aid, particularly on the basis of the French effort in Indochina, is one of the few areas where positive action is open to us at this time.

V. Recommendations

A. We therefore put forward the following recommendations:

1. That the US proceed to inform the French Govt at the earliest appropriate time that the final figure of US budget-supporting aid for France from FY 1953 funds has been fixed at $650 million.

2. That the additional $125 million be provided either: (A) In the form of additional budget-supporting OSP to be derived from uncommitted end-item funds, or (B) in the form of defense support aid transferred from uncommitted end-item funds.

3. That we inform the French that all counterpart (or its equivalent) accruing in CY 1953 will, in accordance with paragraph VII of the Lisbon memorandum of understanding, be applied to the French CY 1953 military budget. Any "Moody Amendment" counterpart would of course be treated separately. (The French would be urged to include at an appropriate time this counterpart in their budget at the figure which would probably actually accrue in CY 1953 on the basis of $650

million in aid. We believe this figure would be in range of 220–230 billion francs.)

4. That the remaining amount of counterpart to accrue in CY 1952 from FY 1952 and prior appropriations (between 15 and 20 billion francs) be released at the end of the present month for application to the CY 1952 military budget (or alternatively, to the civil investment program, the French switching the funds this displaced to the military budget).

B. If the foregoing recommendations are adopted, the final CY 1953 military budget would be (in billions of francs):

French contribution 1247.
US assistance 220–230.
Total appropriations 1467–1477.

End text.

DUNN

No. 557

740.5/12–1052: Telegram

The United States Special Representative in Europe (Draper) to the Department of State

SECRET PARIS, December 10, 1952—11 p. m.

Polto 969. For Battle from Martin. Ref: urtel 3203 to Paris Dec 5. [1] Martin personal notes for a position on aid to France are as fols:

"Have waited dispatch this msg until opportunity to see msg country team preparing contained in Paris tel 3361, Dec 9.[2] Have no comment on parts II and III reftel. Concur with para IV A and B but not clear to me that point in para IV B with respect to [garble] spend even larger amount than involved this year. Not aware that can be sure funds now not "fully committed" under impression on basis present plans they are fully committed.

"Recommendation V A (1) that French be informed of additl aid at earliest appropriate time not specific but assume implication it shld be done while Secy in Paris. Do not concur.

"Evidence as to whether or not a commitment to 650 wld satisfy French at this time is conflicting. Fr reps in NATO bodies, including MC, have inserted amendments clearly based on conception that aid from US much greater than is 650 possibility. They have envisaged aid might be recd to permit financing of armored div and of 375 aircraft envisaged by MRC–12 but which will not be provided by Pleven 1464 budget to which 650 aid is related.

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[1] See footnote 1, *supra*.

[2] *Supra*.

"Possibly with this in mind, there have been several hints in public statements that Fr did not expect aid question to be settled during Dec mtgs. Believe it clear that at least some leading Fr officials hope to make better deal than 650 with new admin.

"While apparently final agrmnt with Fr this month on some figure in addition to 525 might make it somewhat awkward for Fr to reopen query later with new admin, do not think it likely to prevent them from doing so. Wld appear to be to advantage of new admin to be able to deal with Fr on whole issue of aid in addition to 525 during windup of AR, however Fr may wish to present it at that time, rather than having their flexibility and their ability to make arrangement which will start off their relations with Fr Govt on at least moderately hopeful basis limited by fact large portion if not all of funds which cld be wisely committed to additional aid to Fr already committed in Dec.

"In addition, believe it will be difficult to decide clearly what funds can properly be made available for additl aid to France until AR has progressed further. Possible solution, which is consistent with present thinking in AR, is to reprogram end-item funds intended to finance equipment for armored div and additl aircraft units which will not be created under 1464 budget and use them to provide budgetary support which will permit Fr Govt to make existing units stronger and better supported, which is apparently Pleven plan for use of counterpart of additl 125. However, believe it is necessary we be in position on basis of further AR work to reach firm agrmnt with Fr as to exact nature of supporting strength to be created with these funds and that it be in accordance with new interim standards of readiness to be prepared by milit as result of decisions to be taken next week. Believe this decision can only be made firm one which Fr will accept as final, and as to certain degree logical, in final stages of AR when there can be gen balancing out of assets including those available to US against priority goals, and new admin speaking for US.

"An argument against postponement of action is that Fr have now indicated that their contribution to NATO infrastructure is dependent on additl 125 and, therefore, cost-sharing in Dec impossible without it. Must confess I am currently confused about Fr position with respect to use of counterpart of 125 as support of natl armies in Indochina is also currently being given as use to which funds will be put. Wld rather seem to appear that Fr intend to divide money among three objectives they believe wld have most appeal to US; infrastructure, buildup of natl units in Indochina and provision support units for existing front-line units in Eur. Clarification on this point seems essential to decision on importance of giving additl funds to Fr in relation other uses these funds. Issue is really whether we can accept Fr proposal to make these high priority requirements marginal requirements dependent on this increment of US aid. In these terms, doubt whether Fr contention infrastructure contribution dependent on this aid is one we shld accept. Rather we shld hold ourselves free to discuss with Fr in later stages of AR which of high priority deficiencies from NATO-wide standpoint funds might best be used for.

"Conclusion from this is that Fr may not raise query this month but if they do we shld suggest that, in accordance with our earlier position, reinforced by our desire to permit new admin to review sitn and make further decisions in light of its views as to use of resources, we prefer not to make any further commitments until in final stages of AR process.

"If this view is not accepted, it wld be my recommendation that any negotiation this month with respect to additl aid shld be in accord with the fol principles:

"(1) Total amount shld not exceed about 600 plus Moody.

"(2) Pinay shld not be asked to increase the contribution from Fr resources to above 1250. He cannot do it.

"(3) It shld be made clear this additl amount will be available only because of the possibility of reprogramming end-item funds originally scheduled for Fr MRC–12 goals which Fr cannot meet.

"(4) Every effort shld be made secure precise argmnt as to increases in strength for which counterpart of additl amount will, in fact, create.

"(5) Every effort shld be made to tie down fact this final decision for FY 53, to be made known publicly with great clearness by all parties. This seems particularly essential since seems likely EDC debate will not occur for several months and some Fr may feel that with passage of time, it will be possible to reopen query at time of debate when US presumably most vulnerable to pressure (this perhaps another reason why decision at this time unwise)."

DRAPER

No. 558

Editorial Note

Secretary of State Acheson, Secretary of Defense Lovett, Secretary of the Treasury Snyder, and Director for Mutual Security Harriman led a large United States Delegation to Paris for the Tenth Session of the North Atlantic Council held at the Palais de Chaillot, December 15–18. Regarding this meeting, including a discussion of the preparation of the background papers and a summary of each meeting, see the editorial note, volume V, Part 1, page 348.

During the meetings, Secretary Acheson held two talks with the French, one with Defense Minister Pleven and one with Foreign Minister Schuman. Acheson met with Pleven on the evening of December 17 to discuss the French amendments to the Annual Review resolution; a summary of this meeting is in Secretary's Letters, lot 56 D 459, "F-G". The following evening Acheson visited Schuman in his office at the Quai d'Orsay, along with British For-

eign Secretary Eden, where a discussion of Indochina took place; for the record of this meeting, see the memorandum of conversation by Acheson, December 22, volume XIII, Part 1, page 323. Apparently no meeting was held between United States and French officials concerning the question of aid to France during these meetings.

No. 559

Secretary's Memoranda of Conversation, lot 65 D 238, "Memoranda from S & U"

Memorandum of Telephone Conversation [1]

CONFIDENTIAL [WASHINGTON,] December 24, 1952.

Participants: Mr. Frederick J. Lawton
Mr. Acheson

I telephoned Mr. Lawton this morning. I said to him that, while it was not within my jurisdiction to know the facts on which they had arrived at the estimated expenditures figure for previously appropriated foreign aid in the forthcoming budget presentation, I hoped that if there were an area of judgment to be exercised in fixing the figure, it would be possible to raise it somewhat. I said that we had a cable in from Paris commenting on the fall of the French Government.[2]

The cable said that foreign affairs had played a large part in the fall, and that the enemies of the Government were hoping to eliminate Schuman and to have a review of the entire foreign affairs policy of the French Government, including North Africa and their relations with NATO and with us.

Early in September we had told the French that we expected to spend in fiscal year '53 for foreign aid a sum which is almost exactly the combined sum now in the budget for economic and military aid. I said to Mr. Lawton that he could see what the effect would be if the French opposition could point out that we were slipping behind this figure and could say that the Americans could not be trusted. I hoped that we might be able to be a little more optimistic in the figure we put in.

Mr. Lawton said he did not think it was a case of being pessimistic or optimistic and the trend of his reply was that we must be

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[1] Drafted by Marian Evans, Acheson's personal secretary.

[2] Presumably a reference to telegram 3622 from Paris, Dec. 23, which informed the Department of State that Prime Minister Pinay had announced his intention to resign on Dec. 23 in the face of probable defeat on a series of confidence votes in the National Assembly. (751.13/12-2352) According to telegram 3648 from Paris, Dec. 23, President Auriol accepted Pinay's resignation that same day. (751.21/12-2352)

realistic about the figure that goes in. For one thing we were falling behind the figure which had been put in the '53 budget and the French could read what was happening in the monthly public statements of expenditure figures. However, he thought that in the second half of fiscal '53 we would proceed at a rate 10 or 15% greater than we had in the first half.

I asked Mr. Lawton if the figure he was coming out with was 3.6 billion. Mr. Lawton said it was 3.6 for end item aid. Some of this would be in the military budget.

He said there were several problems in setting the figure. One was the difficulty of getting an accurate judgment from the military; that they got several different figures, depending upon the person who was putting the figure in; that change in strategy in Korea was causing the more rapid use of ammunition and resulting in the transfer of military expenditures to Korea, which was a factor in dropping behind on foreign aid. Another factor was the necessity for a tight and tough estimate which would be realistic and on which no one could accuse the President of padding. In arriving at this figure he was trying to draw a line between a cold realistic judgment of a figure which could be delivered and one in which over-optimism would be reflected. He thought a third problem was the lack of will in the Pentagon to get behind the foreign aid items. A fourth problem was the attitude of Congress which had definite ideas about how much offshore procurement there should be. The figure he mentiond was that 40% of the procurement should be in this country. The Pentagon consequently was very uncertain of the figures on offshore procurement.

I said that I realized these problems, that they were very discouraging, but that I knew Mr. Lawton would do his best to arrive at an acceptable figure.

No. 560

Secretary's Memoranda of Conversation, lot 65 D 238, "Memoranda from S & U"

Memorandum of Telephone Conversation, by the Special Assistant to the Secretary of State (Kitchen)

[WASHINGTON,] December 24, 1952.

Mr. Acheson, after talking with Mr. Foster [1] and Mr. Lawton, [2] telephoned Mr. Tannenwald and reported to him the subject of his

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[1] No record of this telephone conversation has been found in Department of State files.

[2] For a record of this telephone conversation, see the memorandum, *supra*.

conversations. The Secretary stated that he did not believe he had made much impression on Mr. Lawton, that he had read him a cable which mentioned the fall of the French Government and that it might be a revolt which might blossom into a dangerous situation against EDC and the Schuman Plan. Mr. Acheson had asked Mr. Lawton to resolve any questions of doubt in favor of a larger figure. Mr. Lawton said he had raised the figure to $4,000,000 for 1954 and he thought $3.6 was better for 1953. Lawton had said the expenditure amounts would show upon on the monthly report and that we weren't kidding anyone. Tannenwald said that on the other hand there was no value in gratuitously pointing out that the reports would be bad for the next six months. Mr. Acheson said he had told Lawton that he couldn't argue about the facts and Lawton said he would do the best he could.

No. 561

751.5 MSP/12-3152

Memorandum by Lucius D. Battle of the Office of the Secretary of State's Special Assistant for Mutual Security Affairs to the Secretary of State [1]

SECRET WASHINGTON, December 31, 1952.

At the 9:30 meeting on Monday, [2] you asked if anything were going on with regard to possible increase of the level of aid to France for Fiscal Year 1953. I told you that nothing was happening and that I doubted that we would be able to get any decision to increase the aid prior to the end of this administration, particularly in the light of the absence of a French Government.

After you raised the question however, I talked to Mr. Perkins and Ed Martin. Mr. Perkins thought that Mr. Harriman was inclined to try to settle the matter before January 20. Since then I have talked to Jack Ohly on several occasions and he has talked to Mr. Harriman. Ohly reports that Mr. Harriman is now definitely of the opinion that this question should go over to the new administration. Mr. Draper has also indicated to Mr. Perkins that he shares this view. In the light of this and since I understand that there is something less than interest on the part of Mr. Lovett, I think there is no doubt but that this must go over to the next administration.

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[1] Copies of this memorandum were sent to Perkins, Moore, and McBride.

[2] Dec. 29.

No. 562

Editorial Note

Following the resignation of Antoine Pinay's government on December 23, President Vincent Auriol extended an offer to Guy Mollet, then Jacques Soustelle, and subsequently Georges Bidault, to attempt to form a government. When their efforts proved unsuccessful, René Mayer was asked by Auriol to try to form a government, a task he eventually succeeded in accomplishing by January 8. Reports concerning the unsuccessful attempts to form a government by Mollet, Soustelle, and Bidault were sent to the Department of State in telegrams 3668 and 3709 from Paris, December 26 and 30, respectively. (751.00/12-2652 and 12-3052) Information concerning the investiture votes of Mayer's new government was transmitted in telegrams 3776, 3798, and 3851, from Paris, January 6, 7, and 8, respectively. (751.00/1-653, 751.00/1-753, and 751.13/1-853) According to telegram 3850 from Paris, January 8, the only change of major importance in Mayer's Cabinet was the substitution of Georges Bidault for Robert Schuman as Foreign Minister. It was also noted that the retention of René Pleven, Léon Martinaud-Déplat, and Charles Brune, who were responsible for the anti-Communist program of the Pinay government, gave no reason to doubt that the new government would carry this program forward. (751.13/1-853)

No. 563

Secretary's Letters, lot 56 D 459, "S"

The Secretary of State to Robert Schuman [1]

[WASHINGTON,] January 19, 1953.

DEAR MR. SCHUMAN: When we recently spoke in New York [2] and joked about our imminent political demise, I hoped for the sake of all of us that yours would still be distant. I now wish to express my deep personal regret at your departure, which I hope is only temporary, from a post which you have filled with such distinguished statesmanship. Notwithstanding the high qualifications of your successor, [3] I hope that your influence will continue ever present and strong in the councils of your government and I believe this to be

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[1] Drafted by Ridgway B. Knight.

[2] Presumably a reference to their meetings in New York during the Seventh Regular Session of the United Nations General Assembly in November 1952; see Document 553.

[3] Georges Bidault.

specially desirable when so much for which we have patiently struggled together seems to be in the balance. Regardless of the comments tinged with pessimism which are all too often heard these days regarding the EDC and your "Grand Design", I believe that the generous and farsighted policies which in history have been associated with France and which in our time are synonymous with your name will have the last word.

Now that we are both leaving office I cannot help but look back and consider the distance which we have already come in a few short years. Time and time again we have found ourselves intimately associated and supporting each other in the attempt to heal the wounds of the past, to prepare for a brighter and safer future, and I like to believe that the years of our association will eventually be looked upon as having borne rich and lasting fruit.

My purpose however, dear Mr. Schuman, was not to write you about affairs of state, but to be personal, a luxury all too often denied to us in our work. May I merely tell you at this time how much I have personally enjoyed our relationship and how much I have profited from knowing one whom I think of as a great Frenchman, an inspiring European, and a true friend.

Sincerely yours,

DEAN G. ACHESON

No. 564

DMS files, lot W–1444, "FY 55 Program Estimates"

Memorandum by the Officer in Charge of European Program Affairs of the Mutual Security Agency (Schelling) to the Assistant Director for Programs, Office of the Director for Mutual Security (Ohly)

SECRET WASHINGTON, January 23, 1953.

Subject: Administration of Aid to France, FY 54

There are three principal alternatives for the treatment of aid to France in FY 54, which I assume at the moment to be $500 million, exclusive of the regular end-item program for France or the military and economic programs for Indochina already contained in the Title III budget presentation.

The first, suggested in your letter to Lawton, [1] is to orient the program as far as possible toward the campaign in Indochina, including in the "campaign" the build-up of Associated States troops. The second, proposed in the recent memo circulated by Harlan Cleveland, [1] is to orient the whole $500 million (perhaps jointly

[1] Not further identified.

with other OSP in France or for France) toward French production of military equipment. The third is to proceed as we have proceeded this year and last year, which is to orient the program toward total French requirements taking into account the Indochina campaign, French defense production, the French balance of payments, and all the other elements that have gone into the Congressional justification or the negotiation with France.

My strong a priori preference is for an exclusive Indochinese justification, with the funds to be authorized under the Far Eastern title of the Act, and probably with our negotiating philosophy corresponding closely to the aid justification. Briefly, the reasons why I prefer this approach are:

a. The Indochina situation seems to me a much stronger argument to the Congress than either a defense production or a balance of payments argument;

b. I believe we may accomplish more in our relations with France by identifying our aid with Indochina than by negotiating with France on the details of its production program;

c. I believe it would be difficult to develop a good French defense production presentation for the Congress, and I doubt whether we want in our negotiations with France to concentrate exclusively on the production part of their military budget and military activity;

d. A huge amount of aid to France, approximately equal to the aid given in the two preceding fiscal years, at a time when no EDC country is receiving any aid except for the Berlin program and Moody Programs, and the small Italian investment program, could be misunderstood both by the French and the other European countries unless quite directly related to the unique characteristic of France, namely, that France is conducting a Far Eastern campaign costing between $1 and $1.5 billion annually.

The above preference is a priori because it may prove difficult to develop enough information about the Indochina campaign to present the justification adequately to the Congress and, more seriously, because it may be quite difficult to find an administrative technique satisfactory to Congress that relates the funds directly to the campaign in Indochina. Procurement of equipment in France for the Indochina campaign is the most obvious technique, and one that has been used on a significant scale last year and will be used again this year; it is quite impossible that this technique could exhaust the $500 million. Last year about $125 million for the Lisbon program was of this type, namely, equipment procured in France for Indochina, and this year I understand that Defense anticipates real difficulty in finding more things for Indochina. The total French army budget for Indochina in 1952 only contained $350 mil-

lion worth of equipment of all kinds for both French and Associated States forces, and "soft goods" including POL, clothing, bedding, textiles, raw materials, etc. barely raises the total to $400 million. The rest is pay and allowances—nearly $.5 billion—local construction, food and miscellaneous other costs. Even if we financed all equipment, soft goods and food, we should barely reach $500 million and have no room to move around within these categories. Although this conclusion is based on the 1952 budget, the budget for 1953 is not greatly different and we have no reason to expect that the budget for 1954 would differ markedly; I believe there may if anything be some slight reduction in the equipment component of the total budget.

Incidentally, the whole cost of Associated States forces in the French 1952 budget, including pay and everything else, did not quite reach $200 million; any notion that the program could be identified with Associated States forces in its entirety would be completely invalid.

The fact that total equipment barely reaches $350 million on the basis of the 1952 budget pretty clearly demonstrates that the program cannot be simultaneously identified with Indochina and with French matériel production; there is simply not enough overlap.

As far as I can see, we are left with two possible approaches to the Indochina orientation of the French $500 million. One is to follow an eclectic philosophy, using a variety of opportunities and devices that present themselves to reach the required total, more or less as we did last year and are doing this year, but perhaps with a few new programming devices accounting for some of the funds, perhaps not quite reaching the total and justifying the remainder on a different basis. The other is to keep the funds all lumped together under a single programming device, possibly a wholly new administrative device, and support it with a single justification.

The first approach would probably lead to something like a couple of hundred million dollars of Lisbon procurement, $200 million of MSA assistance with the counterpart being used for Indochina, $40 to $50 million of common-use type equipment shipped from the U.S., additional to what has already been proposed for Indochina, and another $50 million added to the defense support or common-use program for Indochina already contained in Title III with the counterpart of the defense support in piasters being devoted to the build-up of Associated States forces. If these latter two small pieces prove inconvenient, we might just split half and half between Lisbon procurement and defense support. I am not quite sure that Lisbon procurement related to Indochina could even reach half of the $500 million unless procurement were undertaken

even more loosely than was the case last year, or than will be the case this year.

In looking for a new kind of device there are two points to keep in mind. One is that the exchange rate for the purchase of Indochinese piasters is notoriously disadvantageous to the purchaser with dollars; MSA has requested the NAC to look into this and to see if anything can be done to influence a change in the exchange rate; unless (which seems very doubtful) this situation can be remedied in the next few months, we should probably run into serious embarrassment with any program that required conversion of dollars directly into piasters to support either French Union forces or Associated States forces, and it might even cause embarrassment in connection with a defense support program for Indochina where the rate at which counterpart were deposited would be affected by the same consideration and would be involved in any discussion of budget support for the campaign in Indochina.

The second point is that unless it would look attractive to the Congress to help pay the troops fighting in Indochina, we can probably not use a financial technique that identifies our aid with a specific $500 million worth of things purchased. In other words, if we were to transfer $500 million directly to France to help cover the Indochina army budget, it might be better to present our aid as so much support to a total budget and not identify it with particular items in the budget adding up to $500 million.

Following up the last point, it might appear administratively ideal to have authority simply to transfer $500 million to France subject to overall performance in Indochina; I am afraid there is a strong probability that Congress would insist that the money appropriated be identified with things purchased. A financial transfer was once made to the EPU, but the EPU is an inherently financial institution and the capital fund could not sensibly be identified with commodities; otherwise, except for minor purchases of local currency that I understand are authorized in other titles, we always provide things rather than cash, as witness the Lisbon OSP procedure. The latest MSA proposal comes close to eliminating the connection between funds and commodities, but as I understand that proposal it would still involve identifying the local currencies bought with dollars with specific items procured by the European governments and would not simply be a cash subsidy to the total procurement budget, unidentified with items. The administrative attractiveness of eliminating the commodity content of the program for France/Indochina is certainly great enough to deserve real consideration; in my judgment the idea would be very risky and I would guess that this estimate is shared by the people who are better than I at estimating Congressional reaction. This leads

us back to a traditional technique for administering aid to France, a technique that does not exclusively involve goods and services procured by the U.S. for shipment to Indochina but which uses something like MSA counterpart to permit us to finance at arm's length those items in the Indochina budget which we do not want to be directly associated with in procurement.

The eclectic approach mentioned above meets this condition. It suffers one serious disadvantage, namely, that in most respects it would look so much like this year's program and last year's program that it might be extremely difficult to convince Congress that it really did represent a program in support of Indochina. Transferring the procurement portion to Title III would undoubtedly be of great advantage, but since that was done by Section 513 transfer last year and may yet, to some extent, be done again that way this year, the difference could appear to be only the difference between correct programming at the beginning of the year and revised programming during the year. In other words, we should have done the same thing three years in a row, first calling it economic aid, next calling it defense support for France, and finally calling it support to the campaign in Indochina. This is not to say that we could not greatly improve the presentation by concentration on Indochina; we should certainly go back to last year's technique by imputing the counterpart to Indochina, rather than this year's technique of putting it into French defense production; and we might even consider some special appropriations treatment for the "MSA" type aid to France to make it clear that it was half way between Titles I and III (although, unless we were careful, this might fix the figure too rigidly in Congressional action). It would still, I think, be difficult to make an impressive, coherent Indochina case when the programming contents were very little different from the two preceding years when that case was not strongly made but only incidentally adverted to. If we do this, we should certainly take advantage of all possibilities for procuring equipment or even certain respectable types of soft goods and of maximizing the common-use stuff sent directly from the U.S. so that only the minimum amount would be administered directly to France. The usual objections against loose procurement in France as was done under the Lisbon Agreement, by those who have to carry it out, could undoubtedly be somewhat mollified by a very candid explanation to the Congress of what we were doing and why. (Possibly the technique suggested by Harlan Cleveland, or some variant that deliberately permits more lenient procurement practices than should apply regularly to OSP, would be ideal and should be authorized if necessary or made clearly allowable by legislative history.)

One other possibility would be to put all of our eggs in a single basket and rely on a convincing presentation coupled with a traditional technique. We might administer the whole $500 million as defense support for France with the counterpart required to be applied to the Indochina budget, with the justification focused on Indochina, and with the clear intent to make the aid available in relation to Indochina with negotiations concentrating on Indochina and with the aid conditional on French continuation of the campaign in Indochina. This is probably the only traditional aid technique that has the physical capacity to carry the whole $500 million program. It suffers two defects; the first is that the aid might have to be appropriated as defense support rather than military assistance, and under Title I rather than Title III. The second is that it would look very much like this year's and last year's aid technique, only worse, because of the larger MSA share.

The first disadvantage might partly be met by some new legislative arrangement under which the French figure could be identified as different from Title I and more like Title III, or half way between, and by a jurisdictional arrangement under which MSA, although carrying out the administrative function, shared responsibility with Defense and State under DMS supervision. The second disadvantage would have to be overcome simply by presenting and reiterating the Indochina story, making it clear that the French connection resulted from the fact that the Indochina campaign is fought with the French budget and making it clear that our intentions were to relate the aid directly to the campaign in Indochina and perhaps—if these can be adequately developed—to some new developments in connection with Associated States forces.

This defense support/counterpart device is clearly more risky than the eclectic approach; it should be used only if (a) there is great faith in the cogency of the Indochina argument, (b) if adequate information on which to develop an Indochina story, (c) perhaps some new and distinctive legislative or administrative features, (d) determination to stick to the Indochina angle and not clutter up the presentation with French NATO or French defense production objectives which, however important themselves, would contradict the whole premise on which the presentation was based.

For immediate action, I suggest the eclectic approach be adopted for tentative programming purposes, with quantitative estimates being developed that maximize the Title III procurement component and on the assumption that legislative history or legislative action will take the taint off Lisbon-type procurement for Indochina. Simultaneously, information should be gathered and a document prepared about the Indochina campaign for the purpose of justifying any part or all of the program for the Congress. Third,

we should keep in mind two possibilities mentioned above, namely, the defense support/counterpart technique and the Cleveland-type technique, as devices that might prove superior after further consideration of likely Congressional response. These two techniques do not seem to require immediate quantitative programming beyond the development of facts and reasons which would be necessary in any way to support the eclectic program. [2]

[2] On Jan. 26, Schelling sent Ohly a memorandum which dealt with the various kinds of offshore procurement programs in France and enclosed a Department of State paper on this subject. (DMS files, lot W-1444, "FY 55 Program Estimates")

No. 565

Editorial Note

Following his appointment as Secretary of State, John Foster Dulles, along with the newly appointed Director for Mutual Security, Harold E. Stassen, took a 9-day trip to Western Europe, beginning January 31, which included 3 days in Paris. On the afternoon of February 1, Dulles met with the Chiefs of Mission of the Western European Embassies for a briefing on the situation in their respective countries. The following day was entirely devoted to meetings with French officials, including a courtesy call on President Vincent Auriol. The schedule for February 3 included meetings with Lord Ismay, the Secretary-General of NATO, and representatives of the Organization for European Economic Cooperation, as well as attendance at a meeting of the North Atlantic Council. For documentation on these meetings in Paris, including telegraphic summaries of Dulles' conversations with the French officials on February 2, see volume V, Part 2, pages 1548 ff.

No. 566

Secretary's Letters, lot 56 D 459, "Memoranda for President—1953"

Prime Minister Mayer to President Eisenhower [1]

PARIS, February 3, 1953.

MR. PRESIDENT: I was very grateful for the message of friendship which you were kind enough to transmit to me as well as to the

[1] Following his visit to Paris, Feb. 1-3, Dulles received a letter from Mayer for delivery to President Eisenhower. Dulles forwarded Mayer's letter to the President

members of my Government through Mr. Dulles and Mr. Stassen. [2]

You have retained a fond memory, you say, of your relations with my compatriots and with the French authorities. In fact, Mr. President, you have twice deserved their gratitude. Today their confidence is extended not only to the Chief of the Armies of liberation but to the organizer of the defenses of Europe. It is a homage rendered to your boldness and also to your wisdom.

The French Government intends also to show that it is resolute and reasonable. It has undertaken to pursue on its own account the European policy of its predecessors. It intends to lead it to a satisfactory conclusion: but it is a question as you know, Mr. President, of an ambitious enterprise whose lasting success depends in the last analysis on the wholehearted support of the peoples.

During their brief stay in Paris Mr. Dulles and Mr. Stassen have informed me of your preoccupations in this field. They are also mine and those of my Government.

They have furthermore become aware of the difficulties of our task. It is our responsibility to settle these difficulties alone and we shall not fail to do so. But there are other difficulties whose solution requires the active support of our principal partners in the Atlantic Community. I am convinced that both the former and the latter will be overcome and that when, in answer to your kind invitation for which I thank you very warmly, I proceed to Washington with Mr. Bidault, [3] we will be able to appreciate together, and with satisfaction, the progress made.

Please accept [etc.]

MAYER

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along with a covering note dated Feb. 13 and the source text, which he called a "free translation."

[2] This is a reference to a letter from President Eisenhower which Dulles carried along with him on his visit to Paris. This letter briefly explained the purpose of Dulles' trip to Western Europe and brought the President's greetings. (Conference files, lot 59 D 95, CF 137) Regarding Dulles' visit to Paris, see the editorial note, *supra*.

[3] For documentation concerning Mayer's visit to Washington, Mar. 26–28, see Documents 583 ff.

No. 567

751.5 MSP/2–1053: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PRIORITY PARIS, February 10, 1953—noon.

4461. For Stassen from Dunn. Re Paris circular 811, January 29. [1] Following is text statement requested reference telegram setting forth country team appraisal prime problems and major accomplishments MSP in France:

Begin statement. 1. MSP in France has been directed toward solution two prime problems:

(a) Enabling France play her full part in the undertaking to organize political, economic and military resources Atlantic community and, to this end, provide leadership for creation strong European community, economically solvent and militarily capable assuring own defense;

(b) Buttressing defense Southeast Asia by assisting French continue struggle against Communist rebels Indochina and raise, train and equip Indochinese forces which can ultimately assume responsibility for security that area.

2. Major difficulty besetting efforts solve these problems has been that in terms French resources alone, progress beyond certain point towards solution of either of them could be achieved only at expense progress towards solution the other. Given limitations on total French resources, heavy commitments in other fields—i.e., expansion and modernization of basic industries, reconstruction of war damage, housing, economic and social development dependent areas—severely limit French material and financial resources available for defense. Necessity allocate large portion such resources to active operations Indochina has meant that amounts remaining for European buildup inadequate create forces considered desirable by NATO. Situation has even brought into question France's ability match projected German defense contribution, condition regarded as essential in winning political acceptance EDC within France.

3. By providing important increments military equipment both for European forces and for troops fighting in Indochina, and by furnishing sizeable amounts financial assistance in support French overall military budget, MSP has enabled France make steady

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[1] In this telegram, Stassen, newly-appointed Director for Mutual Security, requested that each Ambassador inform him of the prime problems confronting, and the major recent accomplishments of the Mutual Security Program in the Ambassador's respective country. This circular telegram was sent to the capitals of all the countries participating in the Mutual Security Program. (700.5 MSP/1–2953)

progress towards solution above problems and has encouraged substantial expansion her own defense contribution. French overall defense budget, which represented 23 percent total budget and 6½ percent GNP in 1950, today stands at 37 percent total budget and 10½ percent GNP. French army 1952 force goal of 12⅓ divisions committed to NATO was met toward close year by activation two divisions which were below minimum NATO standards. These will reach proper standards early in 1953 when it is expected that necessary equipment will have been provided. Complete transition from piston-type day fighters and fighter-bomber aircraft to modern jet-type aircraft for front-line forces committed to NATO has been made. Naval aviation has been revitalized by supplying under US end-item program one aircraft carrier and planes for two carriers, while stimulating naval ship building by programming 25 French-built warships under MDAP. French have made outstanding progress in fields of logistics and training. In Indochina 179,000 French Union regulars and 60,000 auxiliaries are engaged in combat against Chinese Communist-supported Viet Minh. Progress has been made in formation national armies Associated States.

Vietnamese army, 50,000 strong beginning 1950, today numbers 147,000. These solid accomplishments due primarily courage and determination French leaders and people. However, clear that without MSP assistance such accomplishments would not have been possible. Consequences such a situation would almost certainly have been full-scale reappraisal by French Government of all external commitments, followed by either withdrawal from Indochina or adoption neutralist policy in Europe, or perhaps both. Thus fair say that in case France major MSP accomplishments have been (a) secure continued French participation European defense build-up and (b) assure defense Indochina.

4. Prime problems confronting US in immediate future are how MSP can continue be used to consolidate progress already realized and carry through to successful conclusion French endeavors Europe and Indochina to which we have given our support

(a) In Europe problem centers around securing French acceptance EDC ratification and, after that, moving forward within EDC framework to bring French defense forces to optimum level. MSP has important bearing upon EDC ratification, for one main root French doubts and hesitations is fear that given her heavy extra-European commitments, France will be unable maintain parity of forces in Europe with Germany. It seems clear that, as has been case up to now, French can achieve this objective in Europe while maintaining effort in Indochina only with help continued US assistance during remainder build-up period. Reciprocally, European integration movement offers best possibility for creating conditions under which Europe can become independent of external aid. Thus

it contains within itself promise for orderly termination MSP assistance once its objectives accomplished.

(b) In Indochina problem remains one of developing program whereby France can eventually pass major part defense responsibilities to Associated States. For MSP this means in part assuring that during interim French Union forces engaged there are adequately equipped maintain effective resistance against Communist enemy. But, of longer-term importance, it means finding ways accelerate expansion national armies. One of most troublesome problems is limitation imposed by rate at which Indochinese officers can be trained, particularly higher grades. Difficulty financing costs national armies—particularly shares allotted Associated States—has also been limiting factor. Nevertheless, French confident that program can be brought successful conclusion. Thus, by continuing assistance to this undertaking, MSP not only helping France solve her defense problems but also contributing development independent nations Indochina capable shouldering their share own defense.

5. Summarizing, two major accomplishments MSP in France have been (a) supporting and encouraging French action within framework NATO and European integration movement, looking towards creation political, economic and military structure in Western Europe independent external assistance; (b) assisting French successfully defend Indochina. Prime problems in carrying MSP to successful conclusion are (a) aiding French make continued progress towards goal effective, balanced defense contribution within framework NATO and European community; (b) finding means eventually relieve French of large part present burden Indochina by organizing defense potential Associated States.

DUNN

No. 568

DMS files, lot W–1444, "France"

Memorandum by the Director for Mutual Security (Stassen) to the Secretary of State [1]

SECRET WASHINGTON, February 26, 1953.

Subject: In re French Allocations

1. It is my view that France is currently over-extended.

2. There are many reasons why we should move promptly to ease the situation.

3. Some disagreement exists within the present personnel of our Government and with the French Government over a balance of

[1] A copy of this memorandum was also sent to the Secretary of Defense.

$125 million of the total of all types of defense and economic help other than end items which France was to receive in the current fiscal year. The difference arises out of a Lisbon talk with the French by Harriman and Acheson, in which the figure arrived at was a $650 million total and the allocations thus far total $525 million.

4. By the use of certain discretionary authority, additional funds could now be made available to France in the current fiscal year.

5. In view of the entire circumstances I am inclined to recommend to you, and if you both concur, recommend to the President, that an additional $140 million in aid be made available to France in the current fiscal year through the means of paying for certain of the French military and production expenses on a special procurement basis. I have selected this amount because it seems that the need and desirability is clear and, therefore, I do not wish to place it on the limited foundation of making good a disputed commitment of the former Administration. I believe much more good will and constructive direct results can be accomplished by action of this nature.

6. It is further recommended that the allocation of these additional funds be concluded in relation to Premier Mayer's visit to Washington.

7. It is suggested that at the same time we should develop a friendly understanding as to the anticipated program of the French Government itself in certain of the more important non-financial items, such as the governmental positions of communist trade union leaders, the clearance for our gasoline pipeline across France for the NATO forces, perhaps the EDC timetable, etc., etc.

No. 569

751.5 MSP/3-253

The Director for Mutual Security (Stassen) to the Secretary of State

CONFIDENTIAL WASHINGTON, March 2, 1953.

DEAR FOSTER: This informal note is to advise you directly that through the normal procedures we are now in the process of allocating to France and Italy the second half of their anticipated direct dollar aid for the current fiscal year.

In the case of France, this is an amount of $135 million, which together with the $135 million released last summer brings this particular type of aid to $270 million for the year. This does not include offshore procurement, or United States military end items,

or the so-called special Lisbon type offshore procurement which involves paying for certain items purchased by the French Government from production within their own country. A portion of the $135 million is being promptly released to help France cover its EPU position for the March 15th settlement.

In the case of Italy, this second half is $40 million, which together with the $40 million released last summer makes a total of $80 million of this direct dollar aid. This again does not include offshore procurement or United States defense end items. We also have under active consideration and will probably allocate approximately $10 million to Italy of the so-called Moody funds for special assistance to small business. We anticipate doing both of these prior to the Italian elections and at such time as the United States country team in Italy, after consultation with the Italian Government, indicates to be the best time.

I am quite certain that all of these matters are fully known to your Department in the normal interchange of information and discussion between the staffs, but thought I would give you this direct and informal information personally.

Sincerely yours,

HAROLD

No. 570

751.5 MSP/3-1353: Telegram

The Ambassador in France (Dillon) [1] *to the Department of State*

SECRET PRIORITY PARIS, March 13, 1953—6 p. m.

5055. Cotel. State pass MSA/Washington for Timmons.

1. Following is translation of a letter dated March 11 I have just received from Pleven concerning selection and purchase of items under budget-supporting OSP:

Begin translation. In a letter which he sent to the French Government last September [2] your predecessor indicated that a sum of $525 million was reserved for the aid to be allocated by the United States to France.

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[1] On Feb. 27, the U.S. Senate confirmed the President's appointment of James C. Dunn as the new Ambassador in Spain and C. Douglas Dillon as his replacement as Ambassador in France. Dunn left his post in Paris on Mar. 2; Dillon presented his credentials on Mar. 13.

[2] Presumably a reference to the letter to Pinay, which was given to him by Dunn on Oct. 6; for the text of this letter, sent to Paris in telegram 1955, see Document 542.

According to information subsequently furnished by your services this sum comprised: $270 million-economic aid, $255 million off-shore procurement of the Lisbon type.

In order to permit the preparation of contracts corresponding to these I arranged to have sent to MAAG France on December 22, 1952 lists of material amounting to a substantially larger total in order to allow the appropriate American authorities the possibility of making a choice.

Two months and a half have elapsed and the officers responsible for preparing the contracts have not yet to my knowledge received instructions. The result is that the French Government is not able to gain the benefit of the dollar payments under this program before an indefinite delay, despite the hopes which it placed on the assurances contained in the letter of your predecessor. Moreover, the material delivered cannot be stored in the warehouses when it is destined for Indochina and should be shipped without delay; certain articles included in the lists will be gone from them and difficulties will arise when it comes to arriving at the agreed total.

Under the circumstances I request you, Mr. Ambassador, to be good enough to call the attention of your Government in the most urgent manner to the importance of speedily issuing instructions to the officers in charge of preparing the contracts without which the question remains at a standstill. *End translation.*

2. I strongly urge that the interested agencies act on this matter as promptly as possible so that contracts for some items can be concluded before Mayer's visit to the United States. Country team elements and procurement officers here are also concerned about the administrative difficulties that will be caused by further delay. Would appreciate being informed how soon specific directives will be issued to the procurement headquarters in Europe.

DILLON

No. 571

611.51/3-1653: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, March 16, 1953—7 p. m.

5091. I paid a formal call on René Mayer today and he took the opportunity of saying very frankly how conscious he was of the difficult position he would be in during his visit to Washington. [2] He said that he was sure that Department understood French position but he was concerned about reaction of public opinion in US. He

[1] Repeated to Bonn and London.

[2] Regarding the Mayer talks, which took place in Washington beginning Mar. 26, see Document 583.

said that he had fully expected to have the protocols in definite agreed form by now but that Germans had delayed negotiations. [3] He said that it begins to appear to him as if Adenauer may be more interested in a personal triumph for himself in America as against France than in working for the eventual successful realization of EDC. He said he understood Adenauer planned a country wide tour of US with a number of speeches [4] and he felt that this would naturally not be helpful in France. Mayer's own position for ratification remains clear and firm and he intends to say a few words on this at American Club lunch Thursday.

Regarding financial items of agenda for Washington he said French wished only to explain and explore in a similar manner to British during their recent visit. They have no firm proposals to make. They will, however, stress the vital importance of the continuation of EPU without which they feel there can be no unity of any sort in Europe. They feel that end of EPU would mean immediate collapse of CSC.

Mayer also said they would suggest that US call an international monetary conference in September and that he hoped to make this suggestion publicly at Press Club in Washington, subject our approval. [5]

DILLON

[3] For documentation concerning the EDC protocols under reference here, see vol. v, Part 1, pp. 571 ff.

[4] For documentation concerning Chancellor Adenauer's visit in April 1953, see vol. VII, Part 1, pp. 424 ff.

[5] In telegram 4874 to Paris, Mar. 17, the Department of State replied to this message by indicating that Adenauer's plans called for travel in the United States as a tourist and that he had refused numerous invitations to give speeches. It also stated that the Department wished to discuss Mayer's proposal regarding an International Monetary Conference with him before he made any public remarks on this subject. (611.51/3-1653)

No. 572

740.5/3-1953: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, March 19, 1953—1 p. m.

5128. Limit distribution. In after-dinner conversation last night, Bidault spoke at length about Washington visit and EDC along following line:

[1] Repeated to London and Bonn.

It was unfortunate from every point of view that Mayer visit was to take place at this time. It had become merely one of series, following Eden and Van Zeeland and preceding Adenauer and De Gasperi, and results would not be good for France. It would be better for Mayer to stay home and "let me go and get my nose bloodied." (There is, of course, no serious thought of Mayer's not going.) Adenauer was cocky and would have great success in America because of Bundestag ratification but court might very well subsequently trip him up.

He spoke slightingly of "Schuman myth" and commented that Schuman had acquired great reputation as European whereas he (Bidault) had originated these ideas and would be able to carry them out in way which Schuman could never do. He was prepared at right time to lead aggressive fight for ratification but that time was not yet. At that time he would have both Mollet and Pinay and their respective supporters in favor of ratification.

He hoped that in Washington conversations and elsewhere United States would show great patience and "surtout pas de zele." Bidault obviously wishes to minimize United States pressure for EDC ratification and to convince us that he is playing shrewd political game to obtain ratification. He may be, but whether in fact he will or can carry it through depends on many factors other than merits of EDC.

I would recommend that in private talks with him and Mayer, President and Secretary make very clear both vital importance and urgency of ratification.

DILLON

No. 573

751.5/3-2053: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, March 20, 1953—8 p. m.

5157. MSA pass Timmons. This is joint Embassy-MSA Mission message. This telegram sets forth our appraisal probable French position during Mayer talks on questions relating to French contribution to common defense effort and possibilities United States assistance in support thereof.

I. Probable French position

French Government has deferred final decisions this field pending opportunity to consult on IC aspects with Letourneau who is expected in Paris tomorrow. However, from our discussions with

various French officials, it appears likely that position will shape up along following lines:

(a) French apparently will make no specific aid proposals since they have serious doubts that at present moment United States administration would be prepared to make any new commitments, and they do not wish to run risk of rejection. Also they have intimated matter of aid is one to be decided in connection annual review. French officials have already given public indication that talks cannot be expected to produce solutions for all outstanding problems. This was sense Mayer speech before American Club yesterday and Bourges-Maunoury before Assembly Finance Committee (see Paris Tomus 616, March 19 [1]).

(b) French presentation will probably be more along familiar lines, emphasizing that heavy burdens carried by French in fields of IC, reconstruction and expansion of metropolitan economy, and economic development of overseas territories impose severe limitations upon resources which France can devote to European defense. French may make statement to effect that France is only European NATO country prepared to increase manpower contribution and that it seems most unfortunate that this is prevented by lack of funds. May allude here to 44 billion francs ($125 million) conditional section military budget, pointing out large part of this would go to increase in forces (see French reply SHAPE recd for detail this and budgetary effect in 1954). In this connection, although point may not emerge clearly from French presentation, it should be borne in mind that current thinking French Government appears to be that, given present tendency French economic activity to level-off, it will probably not be possible to envisage larger French contribution in 1954 than for current year.

(c) France may raise question of whether from point of view relations United States administration with Congress, it would be helpful to present any future United States aid (apart from deliveries of end-items for metropolitan forces) as being for purpose of assisting French effort in Indochina. This idea has been discussed at length past week by interested French ministries, but final decision on whether to propose it to United States or not has been deferred pending return of Letourneau. Important to note that question here is one of presentation, rather than substance, since no indication that current planning envisages substantial increase in French expenditures for IC. Thus, with exception few billion franc increase French IC contribution, any increase in United States aid over present levels would, in fact, permit increased French military expenditures in Europe. Mere shift within current level aid so as to apply it all to IC operations, rather than divided between NATO and IC expenses, would make no real substantive difference.

(d) Two arguments made by some on French side against earmarking all aid for IC. First, serious administrative problems which they see in connection with putting it into effect, since large portion French expenditures in IC is for troop pay, transportation charges, et cetera, which it would be difficult finance with United

[1] Not printed. (MSA telegram files, lot W–130, "Paris Tomus")

States aid. Also, administrative difficulties, foreseen from recent experiences, in negotiating and completing contracts for purchases. Second, French fear that the larger the United States share in total financing for IC, the greater the tendency of United States to supersede French influence and control.

II. Recommended Course of Action for United States

Our recommendations are based on assumption that United States will wish to confine its role during discussion of French defense effort and requirements primarily to one of listening and questioning, and will wish to avoid taking any new commitments at this time. We believe such a tactic can be used to excellent advantage to instill in minds of French participants a better understanding than they now appear to have about those elements of French situation which are troubling to United States. Such an approach, coupled with more detailed picture which talks should provide us re French problems and intentions, should constitute useful point from which to move to final decisions re balance fiscal year 1953 aid and fiscal year 1954 policy on aid to France. We believe that United States decisions on latter points should be made before NAC meeting in April, but suggest that no commitments re aid be given France during next week's talks.

We suggest that United States questioning of France could most usefully be concentrated on following areas:

(a) *Indochina*

We concur fully in stress laid by Deptel 4907, March 19,[2] on need for development of program which gives promise of producing satisfactory military results within foreseeable period, and believe that emphasis should be upon ways and means to speed formation of national armies of Vietnam and other associated states and upon willingness to pursue aggressive tactics.

(b) *French Defense Effort of Europe*

Discussion this point is intimately related to problem of EDC ratification. Believe we should seek to impress upon France that whole future aid policy to Europe can only be determined when we are clear as to future defense plans of Europeans themselves and France in particular, not because we are in any sense trying to "buy" EDC, but because, as is also case for IC, if United States administration is to defend proposals for continued aid before Congress, it must have conviction that such aid will be used in support of workable and effective European defense program. We can also state that no determinations can be made pending developments in and the results of the annual review.

(c) *Underlying Economic and Financial Aspects*

It should be possible at many points throughout discussions to call to attention of France our concern about their failure to make

[2] This telegram summarized Paris working-level discussions on Indochina; for text, see vol. XIII, Part 1, p. 416.

faster and more substantial progress towards the creation of set of economic and financial conditions within France which would enable them to carry more easily their defense responsibilities and at same time to move in direction of freer trade and payments relationships with outside world, including dollar area.

We should emphasize to them that there is no hope of winning acceptance of United States Congress and public for continuing assistance to France (whether for IC or otherwise) unless we can demonstrate that France recognizes importance of adopting and pursuing economic and financial policies designed to lead them to eventual independence of aid. Such a conclusion could hardly be drawn from present situation where United States aid and other forms of extraordinary dollar receipts at annual rate of $750 or $800 million are barely sufficient to cover deficit, despite rigid network of controls on external trade and payments. Equally disquieting are reports that French Government is now beginning fear that unsatisfactory internal economic situation will prevent French Government from increasing its 1954 defense contribution above 1953 level, especially in face of increasing requirements. French could appropriately be asked what type of program they have in mind to reverse these unsatisfactory trends and to revitalize their economy so that it can carry load imposed upon it without continued assistance from United States.

DILLON

No. 574

611.51/3-2153: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, March 21, 1953—6 p. m.

5173. Re Embtels 5157, March 20 [1] and 5176, March 21. [2] While overall US approach to Mayer-Bidault talks Washington, and in some cases decisions on individual items on agenda, depend on factors outside our competence, Embassy submits following recommendations re specific agenda items:

1. Discussion of post-Stalin Soviet foreign policy affords opportunity to reaffirm basic policy of peace through strength and US determination to follow and develop it unless and until events justify any change. Occasion might also be taken to reassure French in this connection that US foreign policy vis-à-vis Soviet world will be carried out vigorously but in no sense recklessly, also to emphasize that Stalin's death means no lessening of menace or urgency of developing Western strength and unity, including EDC.

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[1] *Supra.*
[2] *Infra.*

2. Far East and Southeast Asia.

a. Indochina, covered by Embtel 5157.

b. and c. Extent of consultation US prepared to undertake depends on factor beyond our competence but from point of view of France–US relations we recommend general assurance of such consultation as any given situation may warrant, without giving French unduly favored position of binding ourselves to consultation under given circumstances. With respect to Korea we have in past given assurances considered satisfactory by French, re consultation prior to drastic new political or military initiatives and repetition such assurances seems desirable. Similar general assurances on China would be desirable if practicable. Present leaders have shown themselves less sensitive than British on substantive US actions in Far East but would like to be in a position answer critics in National Assembly on occasion new action by US Government by saying French were consulted in advance. They will probably be satisfied with very little substance from US on this.

d. Five-Power "staff agency" question now seems to be making desired progress but we believe that French have heretofore been disappointed that this matter has dragged on so long without tangible results. Tripartite declaration would depend upon nature and scope. Danger would seem to lie in statement by three major Western Powers which would give implication they, without reference to countries in area, were disposing of problems in that area.

3. NATO.

Our recommendations as to aid are given in Embtel 5157. US substantive decisions will presumably be based, aside from question of availability of funds, upon concrete factors relating to ability and determination of French to use our aid effectively in Indochina and to meet SHAPE requirements, upon future European defense plans, and timing also determined primarily by material rather than psychological factors. Nevertheless it should be possible, without interfering with military needs, to relate US statements and actions, timewise, not merely to present visit but to completion of annual review and possibly subsequent developments.

4. EDC.

US approach on EDC should be one of questioning designed to pin French down on (1) degree of determination to ratify and (2) timing. While ratification of anything by any parliament must be handled by government concerned in its own best judgment as to tactics and timing, French position on both has heretofore been highly unsatisfactory from US viewpoint. Points to be stressed would be (1) essentiality and inevitability of German military contribution, (2) impatience of US Congress and public with what appears excessive French procrastination, (3) difficulty of obtaining

funds from Congress for France, whether in Indochina or Europe, in absence of improved prospects for early ratification. While we should use care to avoid any public impression of pressure, President and Secretary could nevertheless be very blunt in private talks with Mayer and Bidault. Bidault may be too preoccupied both with his personal problems and ideas to be greatly swayed by objective arguments but discussion and agreement with Mayer, with Bidault participating, on tactics and timing should be beneficial.

During past week there has been noticeable increase in optimism here, friends and opponents alike seeming to feel that prospects of ratification have improved. This is probably due to spurt of favorable speeches and corresponding press discussion. While timing of this has no doubt been inspired by government's desire to improve climate for Washington visit, it does represent useful trend which should be encouraged. Mayer and Bidault might be particularly questioned as to their future plans for stimulating discussion and obtaining public, in addition to parliamentary, support.

Occasion might also be taken to reiterate US position re Saar.

5. Three-power cooperation.

See Embtel 4871, March 3,[3] and 2b, c and d above. Anything indicating French relationship to US not inferior to that of UK will help.

6. Economic and financial problems.

See Embtel 5175.[4]

7. Middle East Defense.

Believe French will be primarily interested in our views on course Cairo negotiations and setting up MEDO in light these negotiations.

They will undoubtedly emphasize they expect to participate in decisions to be made on MEDO, particularly as they relate to Arab States other than Egypt.

On freedom transit Suez Canal, Foreign Office continues adhere to position that discussion between Three Powers on this problem essential to assure that when time comes to seek declaration from Egyptian Government, Three Powers should be in general agreement on basic principles. One way to handle this problem might be to suggest French inform us in writing of their position on basic

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[3] Telegram 4871 informed the Department of State of the French desire for some reassurance that the United States would continue to treat France as an individual power and that ratification of the EDC Treaty would not mean a loss of national identity. (740.5/3-353)

[4] Telegram 5175 briefly noted that the French hoped to exchange ideas concerning economic and financial cooperation between the United States, Canada, and Europe. Their presentation would be based on the conclusions of the Fourth Report of the OEEC. (611.51/3-2153)

principles which we could agree to examine with view to determining whether differences serious enough to necessitate tripartite discussions or whether they are of such minor importance that discussions not required. (French insist it should be possible to carry on such discussions without leaks.)

8. Balkans and Trieste.

No special recommendations. French thinking generally similar to ours.

9a. Noninterference in North Africa.

French have feeling, of which most concrete cause was Secretary's statements to Bidault here in February, that new administration is more understanding than old on North Africa. Very little would be necessary during Washington talks, perhaps merely reference in communiqué to general accord of views, to reinforce this feeling with great advantage here. French pressure for statement on noninterference has been relatively dormant since Boegner–Waller informal conversation October 10, 1952 about which Utter and McBride informed. Boegner has nevertheless indicated that French silence should not be interpreted as lessened French interest. He stated French continue regard this matter as of importance and believed it should be raised with new administration. However, if current French confidence concerning new administration's attitude can be strengthened, and [garble] by acceptable status of forces agreement, this problem may die natural death.

We are telegraphing separately on 9b status of forces in Morocco.

DILLON

No. 575

611.51/3-2153: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, March 21, 1953—6 p. m.

5176. This telegram gives our estimate of French objectives in Washington conversations. Our recommendations as to United States approach to individual agenda items will follow. See also Embassy telegram 5157 [2] re French defense contribution and United States assistance.

Mayer announced at time of his investiture that he hoped shortly to confer with President and members of new United States administration and he, like so many other European leaders, consid-

[1] Repeated to London.

[2] Document 573.

ers early visit to Washington essential from point of view of national and personal prestige. Corollary is necessity bring back some material, or at least psychological bacon.

From both substantive and public relations points of view timing of visit is bad. Unless protocols are squared away before Mayer and Bidault depart from here, which would at least remove one negative factor from picture, French will be unable to point to any substantial progress toward ratification of EDC and they are acutely aware of Adenauer's advantage in this respect. Even approval of protocols will be of little public interest in United States. Nor are they close enough to decision on EDC for favorable results of trip to have maximum impact on French opinion or even to give us assurance that subsequent demands will not be made prior to ratification debate.

With respect to EDC, we should remember however first that Mayer Government is improvement over Pinay Government which had deliberately kept situation on ice. Secondly, French ideas about NATO burden-sharing, formalization of "big three" relationship, increased aid for Indochina and "hands-off in North Africa", while of great importance in themselves, will be presented as, and are, more or less directly related to EDC ratification situation. Mayer must be able to assuage nationalist sentiments fearful that France's "great power" status will become submerged in EDC and that Germany, not burdened with overseas commitments, will overshadow France in Europe. If Mayer and Bidault push these points, they do so from weakness and not from strength. But they need our help in eventual EDC debate; thirdly, appearance of overt pressure will be harmful. This does not however preclude plain talk by us on appropriate occasions.

French position with respect to aid is covered in Embassy telegram 5157 and that on economic and financial questions in Embassy telegram 5175, March 20. [3]

We are afraid that they will not come well prepared for these conversations and will talk too much in generalities. This is a chronic problem with French, and in present instance it is also motivated by fear of being turned down on specific proposals. Mayer's and Bidault's pessimism about forthcoming talks also indicate this.

DILLON

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[3] See footnote 4, *supra*.

No. 576

751.5 MSP/3-2153: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, March 21, 1953—7 p. m.

5177. Limit distribution. This is a joint Embassy/MSA Mission message. Department pass MSA/W for Timmons and pass Treasury. Re Department airgram A-1587, March 6. [1]

1. Since closing weeks 1952 when French external position took decided turn for the worse, we have been maintaining close watch on French balance of payments and have been making special effort to get fuller idea French thinking re means of dealing with continuing deficit both in immediate future and over longer term. Embassy and MSA Mission officers have gone over this ground in a number of discussions with Bourges-Maunoury, Buron, Guindey, Clermont-Tonnerre and other French officials concerned.

2. Salient point emerging from this series of discussions is that French authorities have no comprehensive plans for dealing with situation.

(a) It is generally acknowledged that "technical" measures to curb external deficit have already been pushed to an extreme licensing controls on imports and invisible payments have been severely tightened, and tax rebates on exports could not be expanded much farther. Nevertheless, in face of continuing EPU deficits, French have been studying possibility of further cuts in import program for that area.

(b) There have been many allegations to the effect that sterling import restrictions are at boot of French difficulties in EPU, and one line of French policy has been to try and obtain some concessions from UK in this regard. However, most French experts admit that even if sterling markets were re-opened to other EPU countries—and British appear on the eve of some steps in that direction as it is by no means certain, given generally high level of French costs and prices, that franc could take sufficient advantage of such an opportunity to redress her sterling position fully.

(c) There is little hope, from political and social point of view, of implementing oft-repeated suggestion that French costs must be deflated to bring them more in line with production costs of France's major trading partners.

(d) It is clear from French comments that government is reluctant to reverse policy established by Pinay on question of adjusting franc rate, unless it can find some sort of facesaving device through which the real nature of the operation could be disguised.

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[1] This airgram requested the views of the Embassy concerning the possible adjustment of the phasing of French dollar receipts from the United States and a summary of French notions regarding their dollar outlook for the next 4 to 6 months. (751.5 MSP/3-653)

3. In face of this impasse only visible French plan for immediate future is to continue to struggle along, thanks primarily to the various categories of extraordinary dollar receipts, until such time as some external development as for example, some action on the part of the British with respect to sterling—provides them with an opportunity to proceed gracefully with a rate adjustment. This appears to be motive underlying their efforts to obtain line of credit from Exim-bank against expected $255 million in budget-supporting OSP. It was also consideration which prompted them to raise possibility of allotment of special resources out remaining defense support aid to cover their EPU deficit from February. Notwithstanding decision of Ministry of Finance to withdraw request for allotment to cover February deficit, it is not to be excluded that similar request may be made in connection with anticipated March deficit.

5. [*sic*] Thus until now, although there has been considerable pressure on French to come to grips with the problem created by the overvaluation of the franc, they have been able to withstand that pressure through a series of makeshift devices. In one sense granting of Export-Import Bank credit against budget-supporting OSP contracts would mean giving the French another facility which would enable them to postpone any decisions in the exchange rate field. At the moment, the French net loss of dollars is very slight, and if a substantial amount of budget supporting OSP is mobilized, they may be able to get along (despite debt service payments due July 1) until another "run" on their foreign exchange resource occurs. That this will develop sooner or later is a foregone conclusion in the light of the unsatisfactory underlying situation. Such postponement implies during the interim continuance of the distorted pattern of French trade and its adverse effects on other EPU countries.

6. Embassy and Mission are aware that a refusal to grant Export-Import Bank loan would not necessarily precipitate any action on part of French. For one thing they might be able to find private US banks which would be prepared to extend them dollar credit against budget-supporting OSP contracts (even though they have informally indicated their reluctance to deal with private banks in this connection). Nevertheless, we believe US Government should weigh most carefully any proposed action which would tend to relieve balance of payments pressure on French at this time, in order to satisfy ourselves fully as to whether such a development would serve either our objectives in France specifically or our interests generally.

7. Moreover, we recognize that certain arguments can be made in favor of granting French request:

(a) The demands on French dollar availabilities may become acute enough, without mobilization of budget-supporting OSP contracts, to oblige French Government to draw upon gold reserve of Bank of France to cover payments deficit. It is possible that US might be tagged with bill for this development on argument that it could have been avoided through Export-Import Bank loan. In any case, such a development would in all likelihood provoke increase in volume of capital flight and this exacerbate deficit over short-run. However, this would have to be regarded as a necessary concomitant to objective of forcing French to decision. If handled correctly, rate adjustment could be occasion for definite reversal of capital movements, so that money which leaves France during period when pressure is building up would not be permanently lost.

(b) If refusal of credit facilities should in fact cause French to draw on Bank of France gold, it is possible that attendant financial and economic consequences would produce climate which could prejudice ratification EDC.

(c) As indicated paragraph 3 above, one of principal elements behind French procrastination appears to be their hope that British will shortly make some move in external financial field, with which franc rate adjustment could be associated. Obviously such timing would be extremely helpful to French in limiting adverse psychological effects of devaluation. Embassy and Mission are naturally not in position assess possibilities any early British action. However, it is our feeling that it would be unfortunate to assist French to continue to drift merely on an outside by [*but?*] unconfirmed chance that favorable opportunity might arise out of British situation.

8. We do not mean to suggest that we think exchange rate adjustment would automatically solve all economic and financial difficulties of France. There are number of other necessary and desirable reforms. However, overvalued currency appears to be most urgent problem, for the longer it is allowed to continue, the greater the anomalies and distortions which it produces in French economic structure and activity and the greater the amount of foreign exchange resources dissipated in uneconomic operations.

9. We will continue to follow situation and to report any additional information developed re French plans to deal with continuing payments deficit. We recommend that in any case no decision be taken on request for Export-Import Bank loan until after Mayer visit to Washington, since discussions should provide opportunity to draw French out on problems alluded to in this telegram.

DILLON

No. 577

740.5/3-2353

Memorandum by the Under Secretary of State (Smith) to the Secretary of State [1]

SECRET [WASHINGTON,] March 23, 1953.

André Meyer just phoned me from bed, he is slightly ill.

He sees France as very strongly divided but with the odds favoring EDC ratification unless at the last minute there is some significant gesture by Malenkov. Those opposed to EDC and indeed many of the other group are hoping for such a gesture or for any other excuse to postpone ratification. René Mayer is solid and will fight the issue out. The President is not being really helpful and Bidault continues to give lip service without real support, although recently Mayer wrote Bidault a very strong letter on the subject which has brought him more into line. Bidault's political ambitions grow apace and he sees himself as the coming President of France; therefore he seizes every opportunity by insidious suggestion and otherwise covertly to undercut both the President and the Prime Minister. He will, however, go with the tide if Mayer can create a sufficiently strong current. On the general subject of EDC, André is restrainedly optimistic, whereas three months ago he was, I know, definitely pessimistic.

He was asked privately by René Mayer to tell you that he (René Mayer) was extremely anxious to talk privately with you and with the President *not* in the presence of Bidault at some time during their visit. I also believe this is important although it may be slightly difficult to arrange.

André says he has two or three suggestions he would like to make (simple and constructive in nature) for our future relations with France, and will come down at your convenience. He thinks, however, that this should not be until after our French guests have left.

He mentioned that among the French correspondents who are coming to cover the conference are Genevieve Tabouis and Pertinax. Both are now strongly anti-U.S., strongly anti-EDC, and a source of opposition and embarrassment to the present French Government. This is particularly true of Tabouis. Both of these writers have always had close contact with a number of our people in the Department and elsewhere. André believes that they cannot be converted or educated and that it would be far better if they

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[1] A handwritten note in the margin of the source text indicates that Under Secretary Smith spoke with the Secretary about this memorandum.

were treated with restraint and coolness and given no preferential treatment whatsoever. I agree. [2]

W.B.S.

[2] During the Secretary's staff meeting on Mar. 25, Smith discussed the situation of these two French reporters and stated that he thought no senior official in Washington should receive them. (Secretary's Staff Meetings, lot 63 D 75, "March 1953")

No. 578

DMS files, lot W-1444, "France"

Memorandum by B. E. L. Timmons of the Mutual Security Agency to the Director for Mutual Security (Stassen)

SECRET WASHINGTON, March 23, 1953.

1. I am attaching the brief paper you requested, setting forth my views on the problems confronting the Mutual Security Program in France, and the alternatives as I see them for FY 1954 and the immediately following years.

2. I have attempted to address myself to the major issues of policy, and to outline a coordinated action program that might be possible. I have not dealt with the question of how such a program as is envisaged should be presented to the Congress, or how it should be administered. Most aspects of these matters have been adequately explored by DMS and MSA staff members.

3. Before preparing the attached paper, I had the opportunity of talking briefly with a number of the key people in DMS, State and MSA concerned with France. The pressure of work on them, particularly in preparation for the Mayer talks, and my own time schedule did not, however, allow as full a discussion as I would have liked of the current Washington thinking on France. It is my impression that there does not yet exist in the Executive Branch a coordinated program for conducting an overall examination of the long-term French economic and military problems, and for attempting to work out solutions with the French. What in my opinion now needs to be done is to consider where France is going, in terms both of the NATO buildup and the war in Indo-China, whether it is possible to set in motion those economic and financial meaures upon which France must embark if she is eventually to become independent of external aid, and what more might be done through U.S. policies and aid programs to influence progress toward our security objectives. Such an examination would obviously have to be related on the one hand to our policy toward the entire NATO build-up, and on the other to the major political ques-

tions both in U.S.-French relations and within the Atlantic Community.

4. A great deal of useful work on some of these problems has been done in a short time in preparing the U.S. position for the Mayer talks. Such Ministerial talks, while useful for broaching questions and arriving at general understandings, are not likely to permit the extensive mutual examination of problems that now seems called for. The kind of program referred to in paragraph 3 above might well constitute the sustained follow-through that would be desirable to make the forthcoming Ministerial talks of maximum value to the U.S.

[Attachment]

Summary of Attached Memorandum on MSP in France [1]

Section I—Reevaluation of MSP in France at this time is called for by new Administration's overall security and budgetary problems. Also, French Government's recent indication that French military costs, for the present minimum effort, will show alarming rise in 1954 over 1953, without any increase in French defense contribution from own resources, presents the most serious questions as to where France is going, both in NATO and in Indo-China.

Sections II, III, and IV—Our MSP objectives with respect to France (Section II) and where they stand (Section III)—Indo-China is stalemate; EDC ratification is in serious question and French will apparently take position that maintenance France's present military commitments, with some increase in readiness standards, would necessitate increased U.S. aid over FY 1953 level; present French economic and financial policies are not now being directed toward the problems that must be solved if France is to become independent of U.S. assistance. The present economic and financial situation and outlook is unsatisfactory (Section IV).

Section V—The alternatives—The course of action foreseen that is considered most desirable in terms of our national interests is to continue aid to France, but, if possible, within a significantly different framework:

(a) Attempt work out urgently with French (both within NATO and bilaterally) something approaching a rational solution to the question of how large a NATO force contribution France can afford;

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[1] This memorandum, not printed, was a detailed six-page analysis of the Mutual Security Program in France which contained numerous alternatives for U.S. policy in this area.

(b) Mutual examination of basic French strategic and political plans for Indo-China, and what can be done to seek an early acceptable military solution;

(c) Mutual examination of how it might be possible to set in motion those internal and external economic and financial measures which would eventually lead France to independence of U.S. assistance;

(d) Aid to be provided on a, say, three year basis so as to enable French to plan forward, but the focus of discussions would be on the programs of action to be carried out in connection with (a), (b), and (c) above, with aid as a balancing factor.

There can be no rigid or precise program in this field, and it may well be that major political factors would make such an approach impracticable. The alternative would then be, in my opinion, to continue aid on the present unsatisfactory basis to enable France to go forward on the present minimum basis.

No. 579

740.5/3-2453. Telegram

The United States Observer to the Interim Committee of the European Defense Community (Bruce) [1] *to the Department of State*

SECRET PARIS, March 24, 1953—noon.

Coled 51. Eyes only for Merchant. I saw Prime Minister unofficially this morning. He spoke briefly about some current financial problems French Government. Then discussed Van Zeeland's promise Washington that Van Zeeland would proceed press aggressively for ratification EDC in Belgian Parliament in advance French action, if asked do so by Mayer or Bidault. Mayer said could not take this statement Van Zeeland's as constituting serious commitment. Felt if he, Mayer, were to encourage him go ahead in Belgian Parliament, would meet with evasive response. (Added however he would consider immediately whether he might make such approach today or tomorrow to Van Zeeland, and would be ready talk about it with our authorities in Washington).

I mentioned to Mayer pessimistic and antagonistic reports which we believe have been sent to their respective governments by Am-

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[1] After serving as a Consultant to the new Secretary of State for one month, David K. E. Bruce was appointed by Dulles to serve as U.S. Observer on EDC Affairs and as U.S. Representative to the European Coal and Steel Community with additional responsibilities for reporting on the development of the European Political Community. Bruce assumed these responsibilities in Paris beginning Feb. 19, 1953.

bassadors Guillaume of Belgium and Quaroni of Italy. He said he was familiar with attitude these two Ambassadors.

I then mentioned matter interests in French Foreign Office adverse to EDC. Seemed thoroughly familiar with situation there and told me of rather drastic step he recently took to bring Quai into full support governmental policy. Said Bidault was firmly committed to policy speedy ratification EDC, and told me of recent talks with Bidault on subject.

As to European Political Community, feels there are many contentious features in present treaty text requiring close scrutiny by his government and parliament. Mayer is in favor of political federation, but not of pushing it concurrently with or in advance of EDC, since he thinks this would lose him Socialist and other votes for EDC, which are absolutely necessary if it is to be ratified. He does not expect meeting of ministers in Luxembourg May 12 [2] in connection with EPC to have fruitful results.

Regarding protocols [3] believes questions raised by them should be substantially settled today and tomorrow at meetings Interim Committee, and he will go Washington in position state this matter has been in major part satisfactorily disposed of.

He placed particular emphasis on Saar saying he could not proceed to vote on EDC ratification until he had reached agreement with Germans this issue. He believes best chance doing so would be personal meeting or meetings between himself and Adenauer. He will communicate with Francois-Poncet today with view ascertaining whether Chancellor will stop Paris and talk with him on Adenauer's way or return from United States. Feels however Chancellor will be very difficult, especially on economic and financial attachment Saar to France. Said that Saar represented only advantage in way of "reparations" gained by France; that France had put great deal money into it, and although he was agreeable to Europeanization of area politically, he would persist in maintaining its present economic and monetary status vis-à-vis France. Said this also represents decided feeling Saar population.

I mentioned some recent statements French political figures regarding possible referendum on EDC treaty. He stated he would never consent unless treaty itself were first ratified, but that in his own opinion referendum might prove useful after ratification in order dispose of question as to whether such action had been constitutional. Was afraid of questions as to constitutionality posed by

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[2] For a report on this meeting, which took place in Paris not Luxembourg, see Document 167.

[3] For documentation on the EDC protocols under reference here, see vol. v, Part 1, pp. 571 ff.

the EDC and EPC in France, and added this also might include coal and steel community. Similar difficulties would present themselves in Belgium, Holland and Germany. However, there was no use discussing referendum in detail since his govt had not adopted position regarding it and there were many members coalition opposed to it.

He expected to ask in Washington for increased aid to France in connection Indo-China war. Although his objective to build up armies of Associated States, aid extended by US would have to be helpful France to meet its immediate and prospective difficulties since France already shouldering a burden Indo-China which made proper participation in European defense impossible. He expects specifically to ask for disputed 125 million dollars out of present fiscal year's appropriation, and final action off-shore procurement contracts which he thinks have unreasonably bogged down in Washington.

He stated fully understood impossibility of the US Government making specific pledge aid to be furnished out next year's appropriations, and would simply lay before the President and Cabinet members what France's necessities would be during that period.

BRUCE

No. 580

751.5/3-2553: Telegram

The United States Special Representative in Europe (Draper) to the Department of State

TOP SECRET PRIORITY PARIS, March 25, 1953—11 p. m.

Polto 1839. Personal Draper to Wilson, Dulles and Stassen; copy to Dillon. [1] On behalf of SRE I should like to present following views on certain aid aspects of pending French negotiations:

1. There are still many uncertainties about feasibility and costs of French proposals for their NATO build-up which we and international staff are attempting to clarify as part of AR process. Until further progress has been made I urge that nothing be said which commits US with respect to aid in relation to NATO build-up or with respect to force goals themselves. For example, do not consider 18 divisions for 54 as goal US can endorse. More detailed message this subject being despatched.

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[1] Ambassador Dillon was in Washington to attend the meetings with Prime Minister Mayer and his advisers during their visit from Mar. 26 through Mar. 28.

2. If there are broader policy considerations which appear make it necessary say something to French about aid related to NATO effort, preliminary view here would be against increasing budgetary support aid to France in 54 above 53 level, or for increasing present 53 level in order to achieve further NATO build-up. Grant of $125 million more in 53 in particular would create most serious difficulties with other NATO countries and would appear impossible to justify to ourselves, in advance of positive action of French on EDC.

3. If found necessary to say something about end item aid, believe programming for end-item deliveries to French NATO forces has been in general on substantially higher scale in relation to present size of forces and any reasonable prospect for future build-up than most other NATO countries. Would therefore, urge no commitments for increases in end item programs until over-all NATO situation can be reviewed as result AR.

4. This of course, does not exclude additional aid to France, designed to help meet her problems in Indochina. Believe strongly any such additional aid should be related directly to additional effort in Indochina and not be shifting of burden there from France to US. Before making any commitments for such additional aid, if sizeable, suggest US should be reasonably satisfied that additional effort involved is of character and magnitude to give prospect bringing Indochinese hostilities to conclusion in not too distant future. Agree fully with second point of Washington 4907 to Paris of March 19. [2] Might it not be useful for special high level US military team to visit Indochina to review with French adequacy of proposed actions in order that US may be fully satisfied on this point?

DRAPER

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[2] This telegram summarized Paris working-level discussions on Indochina; for text, see vol. XIII, Part 1, p. 416. The second point of this message emphasized the sense of urgency with which Washington viewed the Indochina situation.

No. 581

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 138th Meeting of the National Security Council, Wednesday, March 25, 1953 [1]

TOP SECRET EYES ONLY

Present at the 138th meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; and the Director for Mutual Security. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Deputy Secretary of Defense (for Items 3 and 4); the Secretary of the Army (for Items 3 and 4); the Secretary of the Navy (for Items 3 and 4); the Secretary of the Air Force (for Items 3 and 4); the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Army (for Items 3 and 4); the Chief of Naval Operations (for Items 3 and 4); the Chief of Staff, U.S. Air Force (for Items 3 and 4); the Commandant, U.S. Marine Corps (for Items 3 and 4); Assistant Secretary of Defense Nash (for Items 3 and 4); Captain Paul L. de Vos, USN, Joint Chiefs of Staff (for Item 3); the Acting Director of Central Intelligence; the Special Assistant to the President for National Security Affairs; the Special Assistant to the President for Cold War Planning; the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a general account of the main positions taken and the chief points made at this meeting.

1. U.S. Position in the Forthcoming Talks With the French Ministers (NSC 124/2; [2] NSC 115 [3])

Secretary Dulles informed the Council that the basic approach of this Government in its discussions with the French Ministers would be that this represented perhaps the last chance to develop European unity along the orderly lines desired by the United States. Premier Mayer, an individual dedicated to the achievement of the European Defense Community, represented the last hope of French support for this project. If he failed, the EDC could be considered finished. Chancellor Adenauer would presumably be unable to win the forthcoming elections in Germany if the EDC went down the drain, and the German people could look forward to no

[1] Drafted by Gleason on Mar. 26.

[2] For the text of NSC 124/2, "U.S. Objectives and Courses of Action with Respect to Southeast Asia," June 25, 1952, see vol. XII, Part 1, p. 125.

[3] NSC 115, "Definition of U.S. Policy on Problems of the Defense of Europe and the German Contribution," Aug. 2, 1951, is in S/S–NSC files, 63 D 351, "NSC 115".

relief from the limitations on their sovereignty which now exist. Secretary Dulles predicted that the result would probably be a unilateral assumption of a larger measure of sovereignty by the Federal Republic, with tacit United States and British agreement but with irreconcilable French hostility. Premier Mayer was wholly dedicated to the EDC program and was prepared to make it a matter of a confidence vote in the French Parliament.

Secretary Dulles then went on to indicate that his problem regarding the French in Europe was bound up with Indo-China. It was beyond the capabilities of France to shoulder the load represented by its commitments in Europe and its commitments in Southeast Asia. Accordingly, the forthcoming conversations must try to figure out a way to end the heavy drain, both military and economic, which Indo-China represented for France. Secretary Dulles indicated that he and other American officials would explore with the French visitors a program designed to bring about a situation in Indo-China which within a year or eighteen months would substantially reduce the strain on French human and material resources. Secretary Dulles did not expect to reach any final conclusions or to make any commitments during this visit, but it was a great opportunity, since we were dealing with a man in the person of Premier Mayer who was completely frank and wholly dedicated to our objectives in Europe.

Secretary Dulles then informed the Council that he had just come from a meeting with fourteen members of Congress. He gained the impression from this meeting that these Congressmen felt that if the American people could be given reason to believe that the difficulties in Indo-China will end by the French according Indo-China a real autonomy, and if a program could be devised giving real promise of military and political success in Indo-China, the Congress would at least be open-minded in its consideration of continued United States assistance to the French in Indo-China.

In response to Secretary Dulles' remarks, the President said that two ideas immediately occurred to him. Would it not be advisable, he inquired, to arrange for Premier Mayer to speak to the American people on the radio or on TV, and give a full explanation of the French attitude and objectives in Indo-China? Such a speech could go far to counteract the familiar belief that the French desire to perpetuate colonialism in Indo-China. Mayer could explain the lively desire of the French to get out of Indo-China and the real reasons which prevented them from doing so at this stage in the hostilities.

The President's second-point was an inquiry whether the Joint Chiefs of Staff could profitably explore the possibilities of offering the French a preeminent command position in Europe. Such mili-

tary prestige was very dear to the French, and they might be offered either the Central European command or even General Ridgway's job. In his book, said the President, General Juin was a first-rate soldier. The President added that he was well aware that his proposal would arouse jealousies of the French in other European countries. On the other hand, he felt that we could easily protect ourselves against any dangers posed by the French taking over such a command. Whether the proposal was finally accepted by all the nations concerned, the mere fact that the United States had been behind such an offer would do much to stimulate needed French enthusiasm for the EDC plan.

Secretary Dulles agreed that the President's proposal would certainly go far to counteract French dread that their entry into the European Defense Community would mean the loss of France's identity and leadership on the Continent. Indeed, said Secretary Dulles, it would be very helpful if he could be given the initial reaction of the Joint Chiefs of Staff within a day or two.

General Bradley stated that he was quite sure that the Joint Chiefs of Staff could provide their opinion within the time limit suggested by the Secretary of State, but went on to say that this question was really more political than military. It therefore seemed to him that the State Department should also consider the political implications of the President's proposal and notably the degree of opposition which we might anticipate would arise in the various European states.

The National Security Council:

a. Discussed the subject in the light of an oral briefing by the Secretary of State on the U.S. position with respect to the European Defense Community and Indo-China in the forthcoming talks with the French Ministers.

b. Noted the President's desire that the Department of State and the Joint Chiefs of Staff explore, from the political and military viewpoints, respectively, the feasibility of offering the French one of the top NATO commands. [4]

Note: The action in b above subsequently transmitted to the Secretaries of State and Defense for implementation.

[Here follows discussion of significant world developments affecting United States national security, the status of United States national security programs, and a review of basic national security policies.]

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[4] For information concerning the subsequent appointment of Gen. Pierre Alphonse Juin as Commander in Chief, Allied Forces Central Europe on July 3, Document 602.

No. 582

DMS files, lot W-1444, "France"

The Consultant to the Director for Mutual Security (Bissell) to the Director for Mutual Security (Stassen)

SECRET PARIS, March 25, 1953.

DEAR HAROLD: I had a long and most satisfactory talk with David Bruce, which I followed up in a second conversation with his assistant, W. M. Tomlinson. In these conversations they expressed a general attitude toward our relations and negotiations with the French which seemed to me eminently sensible and worthy of your personal attention.

I asked Tomlinson to summarize Mr. Bruce's and his views, which he has done in a brief memorandum enclosed herewith. After Tomlinson had left for Washington, David Bruce personally called me to say (a) that he did not concur in the third of Tomlinson's recommendations (which I have bracketed on the enclosed memorandum), but (b) that with this exception Tomlinson's memorandum did correctly represent his (Bruce's) views. I have described these conversations in some detail to Dr. FitzGerald who can expand on this note if you wish. I might add that Tomlinson is also in Washington and, if you are closely concerned with the French negotiations, you might find it profitable to talk to him.

I am quite aware that this is somewhat outside of my territory but assume you are interested in whatever intelligence we can send forward to you.

Sincerely yours,

RICHARD BISSELL

[Enclosure]

Memorandum by the Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Consultant to the Director for Mutual Security (Bissell)

SECRET [PARIS,] March 24, 1953.

Subject: Negotiations with French

I have summarized below the conclusions of discussions between Mr. Bruce and myself on this subject. I did not get a chance to clear this with him but he said you could present this general line in Washington as his point of view.

"The statements by Secretary Dulles and the Standing Group on the need to adopt a strategy of peripheral defense if a defense contribution from Germany is not obtained have not convinced the French Foreign Office and the French Military. These groups are the center of opposition to EDC in France. They still believe that the delay and even the prevention of the EDC will force the United States to equip a larger French Army and in general to fall back on France in Europe. The United States should begin to act like a nation which questions whether a defense buildup in the Continental countries will be possible without a French-German agreement. We should consider the following steps:

(1) Slow up deliveries of end-item equipment to French forces.

(2) Ease the pressure for construction of airfields and lines of communications.

(3) Delay the signature of offshore procurement contracts.

(4) Shift approach of French MAAG from a national army to a European army basis.

(5) Avoid discussions for an Export-Import Bank loan against contracts.

(6) Slow up defense support aid allocations to extent possible.

In conversations with Mayer and Bidault we might explain that our military assistance has been provided in support of a 'forward strategy' plan. Once the means for accomplishing that plan are no longer forthcoming, it no longer serves the interests of the common defense for us to continue to spend funds for the equipment of forces and the construction of infrastructure facilities in Continental Europe, for we would not be justified in assuming that such forces and facilities can and will be defended. U.S. military assistance will continue but the emphasis must shift to the creation of forces and defense installations in different areas. Once the French military understands that there may be no French continental forces unless there is an EDC, their attitude and the prospects of EDC ratification in France will improve considerably. This is also the judgment of a number of sympathetic French officials."

No. 583

Editorial Note

On January 13, 1953, French officials informed Ambassador Dunn of Prime Minister Mayer's desire to visit Washington in the near future in order to discuss major problems with the new administration. Dunn reported, in telegram 3916 from Paris, January 13, that "all the cardinals of Europe want to make the pilgrimage to pay their respects to the new Pope" and he recommended that the new Secretary of State might wish to take the initiative in issuing an invitation to Mayer. (751.13/1-1353) Arrangements were

subsequently made for Mayer's visit which was scheduled for the fourth week in March, following a visit to Washington by Anthony Eden and Richard A. Butler on March 4–7 and preceding Chancellor Adenauer's talks in Washington during the second week in April. For documentation on the Eden-Butler talks, see Documents 375 ff.; for documentation on Adenauer's visit, see volume VII, Part 1, pages 424 ff.

On March 25, Prime Minister Mayer and his advisers arrived in Washington and were greeted at National Airport by Vice President Richard M. Nixon; for the text of the statements of welcome that were exchanged upon Mayer's arrival, see Department of State *Bulletin*, April 6, 1953, pages 492–493. Beginning with a meeting the following morning aboard the *Williamsburg* with President Eisenhower, talks were held between the United States and French officials for the next 3 days concluding with a meeting at the White House on the morning of March 28. Reports of all these meetings follow, excluding the talks with Jean Letourneau, French Minister for the Associated States, concerning Indochina on March 27 and 30; for documentation on these Indochina talks, see volume XIII, Part 1, pages 429 ff. A complete set of the minutes of these meetings is in file 611.51 and in Conference files, lot 59 D 95, CF 141. Copies of all the briefing papers drafted in preparation for these French talks are also in Conference files, lot 59 D 95, CF 141.

For the text of the final communiqué issued at the conclusion of the meetings on March 28, see Department of State *Bulletin*, April 6, 1953, pages 491–492.

No. 584

740.5/3-2653: Telegram

The Secretary of State to the Embassy in France [1]

TOP SECRET WASHINGTON, March 26, 1953—7:39 p. m.

4992. Paris pass Bruce. This morning's meeting on board *Williamsburg* devoted to presentation of President's views and of Mr. Mayer's.

Re EDC President stressed major importance attached thereto both by American people and himself. EDC vital not only because it provides best means obtain German contribution without which no real defense of Europe can be undertaken but also because it

[1] Drafted by Ridgway B. Knight and cleared with Merchant. Repeated to London, Bonn, and Saigon. For text of the minutes of this opening meeting, circulated as document FPT MIN-1 of Apr. 2, 1953, see vol. XIII, Part 1, p. 429.

provides means for eventual European viability; also impossible keep Germany much longer under occupation status.

President declared that EDC so important in American eyes that American people would not support aid to France if they were given impression that France resorting to dilatory tactics in order to postpone ratification this vital development. Therefore when setting forth any conditions precedent to ratification French must be very careful to point out why these conditions are in fact vital to France and not inconsequential details or obstructionist moves.

Concerning Indochina President expressed full American sympathy for valiant French struggle as part of overall fight against Communist aggression.

He recognized this struggle not just another colonial war but advised French to make this very clear as many Americans still under misapprehension. President expressed great American interest in French program leading to solution of Indochina problem making clear that he was not talking in terms of a complete victory. However requests for further American assistance could not be considered without full knowledge of French political and military plans permitting US Government to see why its assistance was required and how it would be used. President expressed great interest in measures being taken by French to obtain greatest possible support by local populations through convincing them they were fighting their own war for their own independence.

Referring to French position in Atlantic Alliance Mayer asserted that France had fulfilled her Lisbon goals in early 1953. Re French 1953 budget he briefly mentioned $125 million short-fall in aid but did not press point. He emphasized importance April NAC meeting [2] when levels of forces should be established compatible with economic and financial possibilities of each country. He referred to Alphand memorandum and to great importance placed by French Government on long term planning instead of annual programs as best means use more efficiently limited resources at common disposal.

Re Indochina Mayer started by referring to NAC Resolution December 1952 re "continuing aid" from NATO Governments. [3] He said French political and military plans would be communicated to us later during the talks. Meanwhile he stressed his full agreement with President that the task was two-fold: militarily, Associated States Armies had to be developed for victory and for internal paci-

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[2] For documentation concerning the North Atlantic Council meeting, Apr. 23–26, 1953, see vol. v, Part 1, pp. 368 ff.

[3] The resolution under reference, expressing support for the French effort in Indochina, was adopted by the North Atlantic Council during its meeting in Paris on Dec. 17, 1952. For the text, see footnote 5, vol. xiii, Part 1, p. 321.

fication. Politically it was necessary to develop popular basis for national governments to protect them from eventual take-over by Vietminh forces. While expressing the greatest interest in Gen Clark's report following visit to Indochina Mayer was careful to point out differences between Korea and Indochina.

Letourneau said that details of recent Dalat agreements [4] would be given to us later but that in meanwhile he can say that these will permit presentation of a Franco-Vietnamese plan which should lead within two years to reduction of Vietminh to a negligible factor in Indochina if no material increase in Chinese or Soviet aid in meanwhile. Letourneau expressed confidence that popular support for local governments was increasing day by day, pointing to success of January elections in Vietnam, to fact that much more officer material is now available for National Armies and that all enlisted men needed under present financial limitations were available on volunteer basis. Finally he expressed confidence that local populations supported local governments more vigorously now that Vietminh was clearly recognized as the agent not only of Communism but also of traditional Chinese enemy.

Mayer devoted considerable time to importance of Saar to France and to reasons why a Saar settlement with Germany had to be a condition precedent to French ratification. He did not specify how detailed such agreement should be but time and emphasis he gave to this question clearly indicate that he is thinking in terms of much more than agreement in principle. Specific substantive points which he made included fact that US in January 1950 had recognized, supported and accepted the French position on Saar which had been constant since 1945. He also referred to exchange of letters between France and Germany when Schuman Plan signed and which provided for Saar settlement either in peace treaty with Germany or in substitute therefor. In French opinion Contractual Relations represent such substitute. [5] Mayer also pointed out several reasons Saar settlement necessary before EDC could become operative such as military status of Saarlanders, stationing of troops in Saar, industrial and strategic importance of Saar.

Re ratification Mayer also mentioned briefly need for closer UK association with EDC (to be covered in greater detail later with Secretary Dulles) and also requirement that French people be sure that membership in EDC will not isolate her. Consequently,

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[4] The Dalat agreements of Feb. 24, 1953, in which France agreed to expand the Vietnamese National Army and transfer additional responsibilities to it; see footnote 3, vol. XIII, Part 1, p. 395.

[5] For documentation concerning contractual relations with the Federal Republic of Germany, see vol. VII, Part 1, pp. 1 ff.

"longer association between EDC and Atlantic Community may be necessary" and France's role in Asia and Africa must be understood and recognized—hence requirement for protocols. [6] Whether or not France can with her own resources play both her role in the EDC and in the world is another matter which will be discussed later in talks. Meanwhile he stated that non-impairment of French world position through membership in EDC is essential requirement for French ratification. Mayer stressed his determination and that of every member of his cabinet to achieve ratification of EDC Treaty as interpreted by protocols.

Meeting took place in frank and cordial atmosphere.

DULLES

[6] For documentation concerning the EDC protocols, see vol. v, Part 1, pp. 571 ff.

No. 585

611.51/3-2753: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, March 27, 1953—5:45 p. m.

5001. French delegation met with Secretary, Secretary of Treasury, Director Mutual Security (Defense represented by Assistant Secretary Nash) for three hours yesterday afternoon. Ambassadors Cambodia and Vietnam attended initial portion session devoted general exposé Indochina situation. Following their departure further discussion Indochina problem took place and Secretary also replied to points made by Mayer to President during morning [2] but which latter had not had time answer. Last portion session devoted French desire recognition her worldwide position and east-west trade.

Mayer in introducing Letourneau made it clear Vietnam and Cambodia independent states and their peoples fighting maintain their freedom. Letourneau stressed French interest in creating strong free states Indochina that would later not lose through political weakness what they had gained militarily. He also highlighted importance recent "Dalat decisions" providing increased Vietnamese financial effort and creation 54 new Vietnamese battalions comprising 40,000 men. He said new units would be light, mobile

[1] Drafted by McBride and cleared with Merchant, S/S, PSA, and the Department of Defense. Repeated to London, Bonn, and Saigon. The minutes of this first plenary session, circulated as document FPT MIN-2 of Apr. 6 are in Conference files, lot 59 D 95, CF 141.

[2] For a record of this morning meeting, see telegram 4992 to Paris, Mar. 26, *supra*.

type best suited Indochinese war and would result in more rapid pacification many areas permitting release French troops for offensive operations. He noted plan for 54 additional battalions in 1954 if funds available and concluded no alternative to Dalat decisions now existed. While he could not promise complete victory he believed implementation this plan which is reasonable and practical would result in breaking back Vietminh in 24 months. Finally he stated his conviction true Vietnamese nationalism resided Bao Dai and his government and supporters and not Vietminh who were Soviet-controlled.

Cambodian and Vietnamese Ambassadors made brief remarks. Secretary concluded this portion meeting reiterating our realization this was common war which while now restricted Korea and Indochina, might break out anywhere. He expressed hope for program commensurate with peril which we realized might call for additional assistance our part. He concluded such assistance depended on many factors most important was whether plan France and Associated States was practical.

After departure Associated States Ambassadors Secretary stated we understood French feeling tiredness in Indochina after seven years warfare but expressed conviction feeling would evaporate in face of positive constructive program and concluded we must not be immobilized by fear.

Mayer and Letourneau posed questions what we would do event Chinese Communist offensive Indochina and if we didn't think Korean armistice might cause considerable risk Chinese attack Indochina. Secretary said he thought Chinese Communist attack unlikely because they realize would start chain disasters far outweighing any possible gains and while there no question land invasion of China, vista of trouble through sea and air attack would be strong deterrent to them. Nash stated recent talks on five-power cooperation Southeast Asia had made considerable progress and mentioned forthcoming meeting Honolulu where five-power talks would continue on invitation Admiral Radford. [3] Secretary agreed might be necessary for military reasons talk about what we would do in event evacuation but concluded firmly he convinced there would be no evacuation. He also noted, in unlikely event Korean armistice, that if Chinese obviously simply concluded such arrangement order transport troops attack Indochina, armistice would have automatically failed purpose. Finally he referred to integral

[3] For documentation concerning these meetings, see vol. XII, Part 1, pp. 1 ff.

connection two wars as contained President's State Union Message. [4]

Secretary also commented on points raised by Mayer with President. He said we agreed with French it would be easier if sustained level expenditures over considerable period time for aid France could be effected but legislative processes made this impossible. He added he hoped we might be in position say more during NATO meeting Paris. On EDC he recognized progress made in obtaining acceptance protocols and noted we recognized French Government making strenuous effort obtain ratification. Secretary added we were so far along road to EDC he saw no turning back and no acceptable alternative. (EDC to be discussed more fully today.)

In reply Mayer's presentation to President, Secretary also commented on Saar problem saying we understood importance area to France and also political difficulties it raised Germany, and recognized importance early settlement. However he said Saar settlement did not appear as condition precedent EDC ratification our view. He added we prepared use our good offices in matter and such influence as proper.

To point expressed in morning to President re France's world position Secretary said we recognized this position and would continue do so long as France continued furnish leadership in world as she had since war. He stressed world power position cannot be artificial but based on facts life. He said French post-war record should lay at rest any anxiety this score and characterized France one of elite nations in world with vision and courage.

Bidault continued this point saying France wondered if in future she would be just one of many European countries after EDC and EPC went into effect and referred to notes to US and UK on French proposal periodic tripartite consultations and concerted action. Secretary said we had considered this very carefully and had no objection in principle meeting together time to time as occasion requires and we had no idea French world position would decline as result EDC and EPC. With regard British attitude Bidault quoted Eden as saying concept US–UK–France should be directing members of free world went without saying but he was uncertain what exact framework should be. He expressed hope there could be talks with British and US on question Paris next month. He said EDC meant resurrection for Italy and Germany "with arms in their hands" and must not mean decline France. He concluded tripartite declaration on consultation would do much dissipate French fears these points.

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[4] For the text of this message, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 12–34.

Secretary indicated it should not be difficult find way clarify problem but we felt no formal machinery should be set up. He pointed out we do work intimately with French and British but it often better not appear do so, and we intended preserve present relationship with France. Bidault said France was not asking formal machinery but just talks say once a year. Secretary concluded saying he thought this exchange views useful.

Meeting closed with discussion east-west trade problem. US side said hoped see French reestablish position leadership trade control field with British and US. We indicated we thought would be most helpful if other countries would join us in stopping trade with Communist China, which was not consistent interests free world. We noted UK recently indicated it would increase controls and said it would have excellent effect if French would make similar declaration including statement re COCOM. Bidault replied with general statement French position and indicated because of commercial treaty provisions, he could not change French position "secrecy issue" in Europe but was willing if satisfactory text prepared issue public statement on Chinese trade controls. It agreed experts would discuss draft text. [5]

DULLES

[5] The statement on Chinese trade controls was incorporated into the final communiqué issued on Mar. 28; for the text, see the Department of State *Bulletin*, Apr. 6, 1953, pp. 491–492.

No. 586

611.51/3-2853: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, March 28, 1953—3:10 p. m.

5015. Secretary met with Bidault [re] political questions morning March 27 while Mayer attended meeting Humphrey financial matters and Letourneau talked Pentagon with Defense officials. (Reports latter two meetings separate.[2]) Secretary and Bidault covered following agenda items, all French-suggested:

[1] Drafted by McBride and cleared with Merchant, S/S, and NEA. Repeated to London, Bonn, Cairo, and Moscow. The minutes of this meeting, circulated as document FPT MIN-3 of Apr. 6, are in Conference files, lot 59 D 95, CF 141.

[2] For a report on the economic talks, see telegram 5011 to Paris, Mar. 28, *infra*. For information concerning Letourneau's meetings at the Pentagon concerning Indochina, see the editorial note, vol. XIII, Part 1, p. 434.

1. Korea. Bidault indicated reply Secretary's question he believed topic sufficiently covered yesterday's discussions Indochina.

2. Soviet Policy. Secretary indicated we thought Soviet policies continued generally as before though internal position might be weakened as result death Stalin who had enormous prestige. He thought Soviets might relax external tensions temporarily pending reconsolidation internal position. He mentioned Soviets might now have more trouble satellite leaders especially Mao Tse Tung who had considerable standing and might no longer be content play second fiddle, and concluded noting we should of course examine Soviet peace feelers even though we considered they purely tactical moves. Bidault replied we were substantially agreed. He noted new Soviet leaders had never known any other system and it would be frivolous expect substantive changes. He stressed while expansion Europe stopped and situation Soviets Far East no longer so tempting, situation Middle East fragile. He said area composed series weak states dominated demagogy, corruption or both. In conclusion he agreed Secretary we must look carefully at olive branches. Bidault and Secretary likewise agreed prime tactic Soviet policy now division west especially US, UK and France.

3. Middle East. Bidault stressed western powers should have united front this area as well as elsewhere against enemy and also show Arab states we were united. He said Arab states wanted get best price their cooperation, and Arab league merely propaganda agency. He said western presence Suez Canal indispensable and area defense must be organized. Freedom transit also major issue because unless guaranteed jugular vein free world strategy could be severed.

Secretary declared we realized importance transit Suez Canal and Suez base but noted we would not participate forthcoming UK-Egyptian talks though we hoped British would convey results French and ourselves. Byroade noted we had same objectives but sometimes differed tactics feeling approach western powers jointly to Arab state not always productive. He added new role Egypt area helpful and also may make Arab League more helpful. He said we all wished Canal remain international but thought timing bad tripartite talks because possibility leak which would be misunderstood by Egyptians and affect delicate situation there. Byroade continued we hoped Naguib would adhere international nature Canal but believed he should be approached when British-Egyptian problems further along. If we raised it now, we would run into Israeli blockade problem. He concluded we were probably near time when we could talk but suggested talks not high level avoid publicity. Re MEDO he noted Bidault said France wanted Italian and Greek participation and remarked this was question principle not yet decided

in US Govt, since original idea had been membership limited states area plus those countries which might aid its defense (now seven).

Bidault agreed Egyptians should not be informed such talks and was willing have them any level. Secretary suggested talk might be held before French delegation left arrange technical discussions.

4. Balkan defense, Trieste, Yugoslavia. Bidault said France received Balkan pact with satisfaction, noting it provided only consultation so far, that communication its contents NATO depended Yugoslavs and Italy should adhere thereto when Trieste question settled. On Trieste he made point it was axiomatic retreat by ourselves 1948 position should be agreeable Italians. Merchant concurred our satisfaction Balkan pact and said we were opposed now discussing it NATO. He added possible have three-power talks Yugoslavs Washington SHAPE elements participating their national capacities. He noted we had nothing specific Trieste now, while agreeing French position settlement problem urgent.

This general field Bidault said France believed tripartite declaration guaranteeing integrity Albania would calm Yugoslav fears re Italy. He noted Turks might be helpful Albanian problem since they were not "interested parties." Secretary said we would gladly study French text such declaration. He noted he did not know whether now was good time such statement but would certainly do no harm see what French had in mind.

5. South America. Bidault asked if Secretary could reaffirm previous understanding which to effect we would not compete French cultural interests Latin America but would encourage them. Secretary said he was happy reaffirm we supported French cultural interests Latin America. Bonnet noted economic interests were also involved, and Secretary said we sought no special place ourselves this area but were generally sympathetic French cultural and commercial interests, though we were not specifically aware what was involved this particular reference.

6. Status US forces France and Morocco. [3] Bidault complained we were now "juridical no-man's land." Secretary stressed present administration pushing NATO status forces ratification vigorously Senate, and we realized public relations involved troops stationed foreign country even though they were performing common mission. Re Moroccan case Department officer said we hoped get new draft French two weeks at most which while altering French somewhat followed same general line being as close NATO counterpart as possible.

DULLES

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[3] For documentation on this subject, see vol. XI, Part 1, pp. 599 ff.

No. 587

611.51/3-2853: Telegram

The Secretary of State to the Embassy in France [1]

RESTRICTED WASHINGTON, March 28, 1953—11:02 a. m.

5011. Bilateral US-French economic talks yesterday morning with Mayer and Bourges-Maunoury, chaired by Humphrey. Dodge presented budget picture and Burgess outlined debt situation. Bourges-Maunoury indicated Butler statement OEEC had dissipated French concern re possible British actions, and that French consider UK presentation OEEC fully consistent Fourth Report. French believe question is now one procedure for future actions this field. Guindey agreed US view international economic conference would not be fruitful and welcomed US assurances we foresee further consultation via normal channels including OEEC. US indicated its intention study entire external picture which Douglas will participate and which will require some time complete.

French outlined their economic and budget situation. Mayer reiterated earlier views that French outlook not good and economic situation may become serious. He stressed seriousness April AR meeting for France in terms reconciling its global military obligations with its capabilities. Humphrey raised questions regarding ability France stabilize prices and progress toward freer trade and payments without balancing its budget and improving balance payments situation. French agreed need both steps but did not indicate how reach these objectives.

Afternoon meeting experts discussed French trade situation without developing new information except that both sides would consider possibility reopening FCN treaty negotiation. Guindey outlined French position on entry new investments into French Union, stressing general liberal policy. [2]

Minutes will be pouched.

DULLES

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[1] Drafted by Beigel and cleared with McBride, Moore, and Willis of the Department of the Treasury. Repeated to London. The minutes of this meeting, circulated as document FPT MIN-5 of Apr. 14, are in Conference files, lot 59 D 95, CF 141.

In a memorandum for Stassen summarizing this meeting, Locker described the French financial situation as "really a financial stew—it is a little of everything: high taxes, inflation, unemployment, a large budgetary deficit, and relatively stable prices although at a high level." (DMS files, lot W-1444, "France")

[2] Telegram 5012 to Paris, Mar. 28, briefly noted that Guindey said the French were unconvinced of the net economic advantage of a change in the piaster rate and that they believed that the Associated States of Indochina should expand their budgetary revenues by increasing customs duties on the present large volumes of imports. (851G.131/3-2853)

No. 588

611.51/3-2853: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, March 28, 1953—3:28 p. m.

5016. Paris pass Bruce. Friday afternoon plenary session opened with Mayer reviewing history Saar issue. Referred 1946 US position favoring economic integration Saar with France and fact that document setting forth position formally approved by US, UK Governments at Moscow April 1947 and confirmed by US January 1950. Stated *status quo* desired by both French and Saar populations essential element of Saar financial equilibrium. France aware political, economic and cultural realities of Saar and did not intend de-Germanize area or attack cultural patrimony, but emphasized certain clauses in EDC and contractual agreements make it necessary that Saar situation be defined. Said this reaffirmed in French-German agreement on establishment Coal-Steel Community. French ready at any time hear from Adenauer and regretted delay in resuming French-German negotiations. Referred to French-Saar Convention of 1950 under which both parties committed to review of provisions when Saar gained European status, but said *status quo* should be maintained until question settled within context EDC and CSC. Declared Saar economic attachment to France constitutes only reparations France has received from Germany. Said Saar issue not invented by French to delay EDC agreement, but declared no French-German agreement can exist without settlement questions of such importance to France particularly with reference to CSC. Claimed Saar brings balance into Community and position would be different if Saar were in German mark area. Declared French parliament would certainly require some agreement on Saar issue prior to EDC ratification.

Secretary replied compulsions of today more powerful than legal record. Said US Government cannot take position that terms of EDC and contractuals make Saar settlement legal prerequisite; if so Saar settlement would have been negotiated at same time, US and UK would not have ratified contractuals and EDC ratification within six months would not have been contemplated in EDC Treaty. Referred to conversations in Bonn with Adenauer who said he was ready proceed with negotiations at any time; expressed

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[1] Drafted by Wilson and cleared with MacArthur. Repeated to London, Bonn, and Saigon. The minutes of this second plenary session, circulated as document FPT MIN-4 of Apr. 14, are in Conference files, lot 59 D 95, CF 141.

hope that negotiations would be resumed and said US would do its best to promote rapid resumption and be helpful.

Riddleberger referred to problem of military production in West Germany and expressed US hope more liberal instructions could be given Allied representatives on Military Security Board so that production limited quantity and type military equipment in Germany could commence. Pointed out relation to off-shore procurement which cannot get underway without agreement on production.

Re occupation costs and German military build-up, Riddleberger pointed to inability NATO Annual Review Committee complete examination German submission and expressed hope amount allocated for German build-up can soon be set and agreement reached on occupation costs. Related problem to situation in EDC Interim Commission where French have delayed study of German submission which outlines plans for German defense contribution for FY 1954.

On recruiting for French Foreign Legion in Germany, Riddleberger said US doubts whether such recruiting authorized by Occupation Statute but recognizes French position in matter, particularly in context Indochina struggle. Allied High Commission, however, now faced with protests from Adenauer and US hopes German sensibilities can be considered.

Regarding war criminals, Riddleberger said German pressure is rising and suggested consideration of implementation of Mixed Board arrangements now that Germans have ratified contractuals.

Bidault replied these problems require application of treaties not yet in force and in some instances suggested solutions not in accord with treaties. He could not agree to implementing Treaties or Agreements which had not yet entered into effect. (Details of Bidault's arguments against points raised by Riddleberger contained in minutes being airpouched.)

Said no Foreign Legion recruiting bureau established in Germany but France could not prevent Germans from enlisting. Agreed French Government would take into account "justified complaints".

Secretary said US Government attaches importance to above French-German problems since some pertinent to US in context of contribution to strong military posture in Europe, but believed specific solutions should be left to experts.

Re Atlantic Pact, Mayer expressed French belief in necessity for planning on longer term basis. Believed NATO could make preparation national prog ams more effective, less costly by system of longer term programs.

Humphrey said US had French thoughts in mind but believed longer range planning very difficult until immediate problems settled.

Secretary expressed hope US could get in position to see ahead more than one year, but pointed out problem must be faced in terms of US Government position and said issue would come up in April NATO meeting. Reaffirmed US desire to give high priority to a really effective program calculated to produce success in Indochina.

Mayer expressed appreciation of US difficulties re commitments for long term planning but pointed out NATO had already started such planning with respect to armament and infrastructure.

Re financial aspects of military effort Mayer pointed out serious budgetary deficit and indicated volume French effort can be considered when extent US aid known.

Referred complex procedure for off-shore procurement and expressed belief efforts should be made towards simplification. Stassen said OSP procedures under consideration and US would welcome study by technical experts. Pointed out special category OSP established at Lisbon to meet French desire acquire French military budget items rather than NATO military items and expressed hope special category could be eliminated in next Fiscal Year.

Bidault raised question of exchange of letters re US support of French position in North Africa, produced two alternate drafts and suggested study by experts. Secretary agreed to examine drafts but made clear there was no commitment that US would agree to such an exchange.

Agreed that communiqué as drafted by working group could be discussed at Saturday meeting with view to issuance by 3:00 P. M. Saturday afternoon.

DULLES

No. 589

611.51/3-3053: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, March 30, 1953—7:45 p. m.

5040. Paris pass Bruce. President presided over final meeting with Prime Minister Mayer and French delegation at White House March 28.

Final communiqué was agreed after further discussion concerning Saar (handled by Mayer) and France's status as world power as reflected in communiqué (handled by Bidault). [2]

Mayer obviously attaches primary importance to Saar settlement as condition precedent to French ratification and insisted that even if French Government took different position (which it does not) he was positive Parliament would not ratify EDC until accord on Saar had been reached. Promised however French would work toward Saar settlement with greatest speed possible and that lack of Saar settlement would not prevent Government from playing active role in promoting ratification both in country and in Parliamentary circles and thus creating proper kind of public opinion in France favorable to EDC. He expressed hope Adenauer would also be made to understand US position that Franco-German differences concerning Saar should not impede ratification.

President assured Mayer US Government in no way belittles economic and political importance of Saar to France and it was our hope that we could help in settlement of matter. We believe it pointless to discuss which should come first: Saar settlement or EDC ratification. Instead we prefer to take position that both should be pushed forward in parallel fashion with greatest speed. President then again made point that basic American hope was that nothing would be allowed to delay progress on EDC because of its fundamental importance. He added that we would take same general position toward Saar with Chancellor Adenauer as we had taken with Mr. Mayer, and that as friends of both sides we would urge most rapid progress possible.

Reference to Indo-China, President said of course we were intent upon doing nothing which in any way might increase France's diffi-

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[1] Drafted by Ridgway B. Knight and cleared with MacArthur and Bonbright. Repeated to London, Bonn, and Saigon. According to a memorandum by Knight, dated Mar. 30, MacArthur and he agreed that this telegram adequately covered the substance of the discussion and that no separate minutes were required. (Conference files, lot 59 D 95, CF 141)

[2] For the text of the final communiqué, which was issued on Mar. 28, see Department of State *Bulletin*, Apr. 6, 1953, pp. 491-492.

culties there. Instead we wanted to help. As matter of fact, statement was now being prepared within US Government concerning Far East, and Indo-China and Korea would be linked therein. President added that US representatives had been somewhat disappointed in plan which had been outlined by Mr. Letourneau at Pentagon on March 27 a. m., [3] particularly by slowness of its timetable. He wanted to make clear, however, that while there was no US commitment to support this plan likewise there had been no US refusal to do so. Plan required more careful study and President noted that this should be possible as Mr. Letourneau was planning to stay until March 31 p. m.

Re Indo-China plan, Mayer said concerning slowness of its timetable that while raising forces takes time it might perhaps be possible to accelerate this even if human factors involved might lead to somewhat lower quality of forces. However perhaps more difficult is fact that there exists as yet no agreement concerning military requirements. Mayer suggested that elaboration of this plan could be completed in Saigon with participation of US officers which Pentagon might care to send there for this purpose and that this aspect of problem could thus be covered by further discussions between military technicians.

President said that US technicians will be glad to cooperate with French along above lines.

DULLES

[3] Regarding these talks at the Pentagon relating to Indochina, see the editorial note, vol. XIII, Part 1, p. 434.

No. 590

611.00/4-953: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

TOP SECRET PRIORITY PARIS, April 9, 1953—8 p. m.

5401. To Secretary from Dillon (eyes only). Re Deptel 5140. [2] I saw Mayer this afternoon and let him read the summary of the President's speech for April 16. [3] He was very grateful of this op-

[1] Repeated to London eyes only for Aldrich and to Bonn eyes only for Reber.

[2] Same as telegram 6665, Document 396.

[3] President Eisenhower consulted with Prime Minister Churchill, Chancellor Adenauer, and Prime Minister Mayer concerning the text of his "Chance for Peace" speech which was scheduled to be delivered on Apr. 16 before the American Society of Newspaper Editors. For the text of this speech which was delivered after some revision, see *Public Papers of the Presidents of the United States: Dwight D. Eisen-*

Continued

portunity to see the preliminary summary and wants to convey his appreciation to the President. He read the summary very carefully and felt that in general it was excellent and would serve a very useful purpose. He said that he had told Bedell Smith in New York last Tuesday [4] that it was important for the United States to take the initiative on the peace front. He feels we should push the Soviets to a concrete decision of substance to them as rapidly as possible. He sees such a decision in the Austrian Treaty as here the work is practically complete and a yes or no answer could be obtained in short order. Acceptance of an Austrian Treaty by the Soviets followed by the evacuation of their troops from Austria, Hungary and Rumania would, he feels, be a concrete indication that they are willing to consider peaceful solutions of other problems. He has a real fear of a four-power meeting to cover all issues as he thinks the Soviets could drag such a meeting out interminably and meanwhile the free world would necessarily be more or less marking time in their rearmament effort. He said that he had talked this problem over with Bidault on the voyage home and that Bidault was in complete agreement with his reasoning.

He had one comment of real substance on the summary which he specifically hoped that I would pass on. He is afraid of creating a reunited Germany which he assumes would be a neutralized and disarmed Germany before an agreement is reached with the Soviets on disarmament. A reunited Germany, he feels, would have more temptation to consider dealing with the east and unless a world-wide disarmament program is in effect, he fears the possibility of reunited Germany joining with the Soviets and then being armed by them against the free peoples. He said that France could not permit the creation of such a free and united Germany unless it was done simultaneously with the achievement of a real disarmament program. He hopes very much that the President will take this position when he makes his speech. He also referred to his statement of yesterday at Le Havre which he said was made after much thought that "equilibrium must be achieved in the world and it can be achieved in two ways, either by general disarmament or by building up the strength of the free peoples until we achieve such equilibrium". Thus he feels we should proceed with the EDC and the rearmament of Western Germany until the Soviet agrees to general disarmament. Only then can we agree to a disarmed and united Germany.

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hower, 1953, pp. 179–188, or Department of State *Bulletin*, Apr. 27, 1953, pp. 599–603.

[4] Apr. 7.

His final comment was on Indochina. He felt that the first statement regarding an end to direct and indirect attacks upon the security of the peoples of Indochina was excellent but he pointed out that the points immediately following all related to Korea and contained no specific mention of peace in Indochina. He hoped the President could strengthen his statement regarding the necessity for an Indochina settlement simultaneous with or immediately following a Korean settlement.

DILLON

No. 591

740.5/4-753: Telegram

The Acting Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, April 10, 1953—6:22 p. m.

5181. Cotel. For Ambassador. Department has been discussing French aid situation other agencies, and agreement has been reached bilateral talks will be held with British and French by Secretary and colleagues in Paris in connection NAC meeting, to inform them FY 1954 aid possibilities. Department's thinking outlined below. This for your information and should not under any circumstances be presented French prior Secretary's arrival Paris. We are now in process clearing inter-agency position paper [2] for Cabinet use along these lines:

Agree general conclusions your 5364 [3] regarding possibilities French financial contributions 1953 and 1954. Question remains informing French regarding possible amounts external assistance so they can assume realistic AR position regarding force levels and come grips IS recommendations on possibilities internal economies.

French Government to be informed as follows:

US will seek provide $525 million FY 1954 aid support French budget on understanding French budget for NATO forces as well as expenditures Indochina will continue same level if not increase 1954 over 1953. In this connection agree we should emphasize im-

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[1] Drafted by Beigel and cleared with Merchant, Moore, MacArthur, Bonsal, and E. M. Martin. Repeated to London and Saigon.

[2] Presumably a reference to a speaking and position paper drafted by Beigel for the U.S.-French talks in Paris. A copy of this paper, entitled "Aid to France Including Indochina" and circulated as document TIP D–1/2 of Apr. 15, is in Conference files, lot 58 D 95, CF 152.

[3] This telegram was a two-part message reporting on economic and financial aspects of the currently available Annual Review documents concerning France. (740.5/4–753)

portance French taking measures support and expand level economic activity France. Furthermore this level aid must be related French performance in field forces, as well as finances. Therefore US position should be reemphasized in support SHAPE and IS recommendations on reorganization Army support units, development 1953 ground and naval forces at levels proposed last December and as first priority increased French emphasis front-line air force. If French within own budget supported by $525 million US aid can go further and finance activation 15th division US hopes be able to supply end-items for it.

We should also be assured ASIC budgets can be further increased 1954 to cover part additional cost further ASIC force buildup.

US would also agree in principle provide additional aid toward remaining gap in financing new ASIC force buildup, with understanding this aid intended finance net new military effort Indochina. Precise amounts necessary will depend upon JCS evaluation new plan as well as further screening and development information regarding costs and ability Viets spend additional funds Indochina. (Costing tables pouched Timmons April 3.) Indochina matter to be discussed with French but see no necessity do so in context NATO AR, aside from making point indicated above regarding maintenance French contribution Indochina.

If French raise question, US would not be in position provide additional FY 1953 aid for NATO program. However US would wish clarify status whether French continue require $30 million to cover conditional tranche Indochina budget 1953, in view potential availability blocked funds mentioned your 5358.

Your comments foregoing appreciated.

SMITH

No. 592

611.00/4-1653: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, April 16, 1953—5 p. m.

5518. Re Deptcirtel 1030, April 15. [2] Since text President's address was carried by AFP ticker this morning, we gave copies to

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[1] Repeated to London and Bonn.

[2] This circular telegram contained the text of President Eisenhower's speech which was to be delivered on Apr. 16 before the American Society of Newspaper Editors. See footnote 3, Document 590.

Bidault and Parodi, and to Burin des Roziers for Mayer, before luncheon, explaining points made in reference telegram to them. Mayer is dining tonight off record with principal French journalists and we are told he will give maximum support to United States views.

They considered substance and tone excellent. They were entirely satisfied with and really appreciative of statements on Indochina. They welcomed Korea and Austrian Treaty as initial tests of Soviet sincerity. Bidault was impressed by potentiality of final point on use of resources for suitable purposes. He and Burin both stressed importance of linking progress toward arms reduction agreement with progress toward German unification. In this connection, they noted with approval word "concurrently" in introductory paragraph on arms reduction.

Burin amplified last point, which he stated he had discussed with Mayer and Bidault at length on ship returning from United States, along following lines: If there should be four-power talks on Germany as result, for example, of Soviet acceptance in near future of 1952 Western proposals, [3] Russians might either propose or accept one of three different arrangements.

One would be on Austrian pattern with Berlin as capital of unified Germany and some form of continuing four-power control and occupation. This would be solution most apt to be favored by Russians and least acceptable to West.

Second would be unarmed neutralized area with withdrawal of all military forces.

Third would be establishment of uncontrolled sovereign government as result of free elections which would probably be Socialist and which would mean "starting all over again" with respect to EDC or any other form of German armament.

Latter two would be extremely dangerous for West in absence of military equilibrium between East and West through arms agreement or other means.

Burin commented that putting Soviet sincerity to test would greatly facilitate French ratification of EDC if Soviet insincerity were clearly demonstrated in near future. He feared however, that any four-power talks looking toward settlement on Germany or other comprehensive questions might be dragged out and prevent ratification for very long time.

In largely extemporaneous speech which Bidault made at American Club this noon just after reading President's speech, he stated that Soviet sincerity could not yet be either accepted nor possibility

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[3] For text of the tripartite note to the Soviet Union of Sept. 23, 1952, under reference here, see vol. VII, Part 1, p. 324.

of its existence dismissed, that new agression in Laos spoke louder than words, that goodwill and good faith were essential ingredients to solution of any problems and that Western courage, resolution and unity were more important than ever.

DILLON

No. 593

Editorial Note

A United States Delegation which included Secretary of State Dulles, Secretary of the Treasury Humphrey, Secretary of Defense Wilson, and Director for Mutual Security Stassen left Washington on April 21 for the North Atlantic Council Ministerial meeting in Paris beginning April 23. In addition to the NAC meetings, arrangements had been made for a series of bilateral and trilateral talks with the British and French; for documentation concerning the NAC meetings of April 23–26 and the bilateral discussions with the British on April 23 and 25 as well as the trilateral talks with the British and French on April 25, see volume V, Part 1, pages 368 ff. Reports of all the bilateral meetings with the French follow, excluding discussions concerning the Laotian question for which see volume XIII, Part 1, pages 505 ff.

Copies of all the talking papers and speaking papers prepared in anticipation of the talks with the French are in CFM files, lot M–88, and Conference files, lot 59 D 95, CF 153.

No. 594

740.5/4–2353: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PRIORITY PARIS, April 23, 1953—noon.

5624. Bipartite meeting held with French April 22, with Bidault (presiding), Pleven, Bourges-Maunoury, Letourneau for French, and Dulles, Wilson, Humphrey, Stassen, Draper and Dillon for US plus advisers.

1. Pleven: Viewed "stagnation" of French ground forces proposed by NATO with concern in view military risk. NATO secretariat proposals will be taken fully into account but recommended expansion French front-line air strength beyond 1953 impossible to im-

[1] Repeated to London and Bonn.

plement without increased budget which not considered possible. Question actually is whether present military budget level can be maintained which Pleven hopes. Uncertainty re post FY 1953 US aid is complicating factor.

2. Bourges-Maunoury noted no improvement in budgetary situation as unsatisfactory trend continues toward increased deficit which on present outlook for expenditures and receipts would reach 1000 billion francs in CY 1954. Excepted increased in GNP not materializing. Economies inevitable. Possible, however, maintain CY 1953 military budget. In any event, burden in 1954 cannot be larger than 1953.

3. Bidault: Would view relaxation in NATO with alarm since present situation requires perseverance. Believed NATO military effort should show continued upward trend. Strongly insisted need for longer-range defense planning including some foreknowledge future US aid.

4. Dulles challenged use word "stagnation" as connoting deterioration and emphasized feasible qualitative improvements. As long as threat of war not predictably imminent, force levels should reflect capacity for sustained economic effort rather than maximum requirements. US does not propose to pressure NATO partners to increase efforts. US also has budgetary problem limiting current economic capabilities with Congress reluctant to authorize large amount economic aid. Secretary added aid next year has best taken form assistance to Indochina on basis of a plan endorsed by our military and promising at least reduction hostilities to small proportions within, say two years. Hence increased effort required to develop indigenous forces and also changed attitude some local officials better to reflect spirit Paris directives. Wilson agreed citing Korean lessons.

5. Letourneau: Although invasion Laos worsened military situation, plans he outlined in Washington which US military then seemed to find feasible, still valid. Sincerity of political and military officials in Indochina, who realize victory requires full native Vietnamese effort, cannot be questioned. French determined expand native forces. US assistance fully appreciated. Chief difficulties are finances, cadres, training.

6. Pleven: Sought elucidation Secretary's remarks re aid. (a) Is present figure of $525 million aid from FY 53 funds in support French CY 53 military budget now to be regarded as final? (b) If France unlikely receive "economic aid" in FY 54 what general order magnitude comparable aid can be expected? Assumed that in addition such aid, end-item assistance will continue.

7. Dulles: Nothing he said altered commitments of FY 53 aid. Confirmed $525 million as final. Re FY 54, executive branch could

propose figure comparable to $525 million provided IC program exists endorsed by US military. Increase even possible if Congress could be convinced program could shortly reduce IC conflict to manageable proportions. Appreciate French financial difficulties and would understand if French forced make some small cuts. However, any sizeable reductions would mean our assuming impracticably larger proportion IC total.

8. Pleven: For French budgetary planning purposes vital that 54 aid be determined by October. Stassen and Wilson indicated this feasible. Time lacking to discuss French agenda items, EDC and North Africa. We promised later talks if French wished. [2]

DILLON

[2] For a record of the subsequent U.S.-French meeting, which took place on Apr. 26, see Document 596.

No. 595

611.51/4-2553

Memorandum of Conversation, by the Public Affairs Adviser of the Bureau of European Affairs (Kirkpatrick) [1]

SECRET [PARIS,] April 25, 1953.

Participants: René Pleven, French Minister of Defense
Helen P. Kirkpatrick—EUR/P

The following is a summary of the views expressed by M. Pleven during a long luncheon conversation which ranged over a wide field. Having known M. Pleven well for over twelve years the conversation was personal rather than official and for this reason I would be grateful for the most limited distribution of this memorandum or discussion of its contents.

U.S. Policy: M. Pleven believes the aid policy of the new administration is a sound one which he finds entirely compatible with the interests of his country. He is, however, greatly disturbed by the manner in which it may be presented. To present it as a budget cut, the end of economic assistance, and reduction in defense expenditures is to create a serious psychological problem for all European countries and notably for France. Already the neutralists have seized upon this presentation as an argument for the reduction of French military expenditures. Edgar Faure has been writing that drastic American economy makes French expenditures illogical and unnecessary. M. Pleven feels that he will be under ex-

[1] Copies of this memorandum were sent to Bonbright, MacArthur, and Knight.

treme pressure to reduce the present military budget unless the U.S. economies are presented in a different light.

He hopes very much that the administration can explain the American cutbacks by pointing out that vast sums have already been invested and have resulted in such important stockpiling of materiel and the creation of reserves that economy is now possible; by pointing out that waste and extravagance is being eliminated, and by emphasizing Secretary Dulles' description of the policy as "more security for less money." This presentation, he believes, would be understood, widely supported, and would eliminate possible attacks which are otherwise bound to be made by the European governments.

M. Pleven said that he was much impressed by Secretary Wilson's approach to the defense problems and felt that he would be able to work far more easily with him than he had been able to with Mr. Lovett, whose legalistic approach he found very trying. The fact that Mr. Wilson approaches problems from a common sense and a business point of view appeals greatly to M. Pleven. Mr. Wilson, he feels, has the approach of "big business" which means that he understands the limitations of small business and hence the limitations under which France is working. He was also very complimentary about Secretary Dulles' speech in the Council [2] and his general approach to all of the problems which have been discussed between the French and the United States since the new administration assumed office.

EDC: Discussing M. Bidault's speech of April 23d, [3] M. Pleven said that he felt Bidault would regret certain portions of it, notably that section suggesting that haste in the ratification of the EDC is not necessary. Pleven pointed out to Bidault afterwards that this would make it difficult when Bidault presents the protocols and the EDC for ratification. He also feels that the failure of the Bundesrat to ratify the treaty will play into the hands of the French who are opposed to it.

Political Notes: M. Pleven doubts whether the present government can last more than another three months and assumes that Pinay will attempt to form a new government. Pleven is, however, very discouraged by the general political situation in France and the lack of clear cut leadership, which he feels will be a continuing lack until the Constitution is revised. He does not regard the RPF

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[2] Regarding Dulles' speech during the North Atlantic Council meeting of Apr. 23, see telegram Secto 6, Apr. 24, vol. v, Part 1, p. 373.

[3] Regarding Bidault's speech on the EDC, see telegram Secto 7, Apr. 24, vol. v, Part 1, p. 378.

as a serious political factor but rather an irritant in the body politic. He says that he has not seen deGaulle for some years.

He predicts a battle to the death between Bidault and Pinay for the Presidency and did not venture an opinion on the winner of the battle.

Indochina: We discussed Indochina at length and in the broad context of the position of the West vis-à-vis the East. M. Pleven felt that from the moment the U.S. had pulled out of China the Far East became untenable for Westerners; that we cannot indefinitely hold on to any territory east of Suez, nor expect any positive assistance from any Asiatic country in the event of war with the Soviet Union.

He was most pessimistic about Indochina and especially the attack on Laos. He described the terrain, the character of the Laotians, and the logistic problems of the French in that area. He stated that the French were negotiating with Thailand for the use of Thai routes and communications to get supplies into Laos and to evacuate personnel in the event that became essential.

M. Pleven stated categorically that a Korean armistice—the cessation of fighting in Korea—would make inevitable French withdrawal from Indochina. He did not go into detail as to how and when such a withdrawal would take place nor did he speak of it in relation to any possible condition, such as a linking of the Korean and Indochinese wars in a settlement of the latter. I believe from previous conversations with him, however, that he does not believe that Messrs. Mayer and Bidault were precise enough in their discussions in Washington on the interrelation between the two wars. He thought that the final communiqué of the Washington talks gave France a great advantage which Mayer and Bidault failed to follow up. Nor did he seem to feel that it would be possible, in the present circumstances, to reach an overall settlement in the Far East which would permit the French to extricate themselves from Indochina. He spoke with considerable emotion, as he always does, of the heavy losses in Indochina and of his conversation of the day before with the head of the French Foreign Legion, which he said has lost more officers in Indochina since 1946 than its total number of officers since it was founded over a hundred years ago.

No. 596

611.51/4-2653: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, April 26, 1953—9 p. m.

5672. Pass DMS, MSA, Treasury, Defense. Limit distribution. Reference Embtel 5624, April 23. [1]

1. Second session bipartite talks with French held afternoon April 26. Present were Bidault, Pleven, Bourges-Maunoury for French; Dulles, Humphrey, Wilson, Stassen, Dillon and Draper for US; with advisers. [2]

2. US del had previously agreed on memo re aid, which Dulles read to French and made copies available to them. Text this memo contained immediately following telegram. [3]

3. Dulles stated had two oral observations to make re this memo. We will need help French Government in getting to US the information needed for presentation aid program to Congress. Embassy and MSA Mission will be in touch with French re this. Second point related to EDC. Nothing specific included in memo, as we have already made our position clear. EDC can succeed only if it reflects real desires peoples concerned. However, progress of EDC will be much in our minds and those of Congress as aid program considered.

4. Bidault expressed appreciation for US comprehension French problems. Bourges-Maunoury indicated that US memo clarified situation for him re meeting external financial problems. Regarding FY 54 aid, Bourges-Maunoury inquired whether $100 million referred to paragraph 5(a) memo would be in form budget-supporting OSP. Also what form would the $460 million in paragraph 5(b) take. Stassen indicated that re both 5(a) and (b), it is US intention have government-to-government agreement whereby we would provide funds for items to be included in French budget. Where items purchased, do not intend have 10 percent counterpart deduction. However, $60 million to be made immediately available and part of remaining $400 million mentioned paragraph 5(b) would be in form defense support aid, and such aid would require 10 percent counterpart be made available for US use. Implementation of arrange-

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[1] Document 594.

[2] During the course of the meeting described in this telegram, the French Delegation handed the text and translation of an *aide-mémoire* to members of the U.S. Delegation. These documents, which concerned the inadequacy of French dollar availabilities, were forwarded to the Department of State as enclosures to despatch 2331 from Paris, Apr. 27. (751.5 MSP/4-2753)

[3] *Infra.*

ments foreseen by memo to be worked out with Ambassador and Labouisse.

5. Re paragraph 5(c) memo, Bourges-Maunoury asked whether additional IC effort mentioned is additional national armies light battalions already planned. Dulles confirmed what we have in mind is program for increase of ASIC forces discussed by Letourneau when in Washington, but US military not wholly satisfied and might have some suggestions to make. We must be able defend program before Congress on basis testimony our military people. Asked Nash to comment. Nash said Defense pleased with full frank discussion with Letourneau and with information given. Our military people had suggestions rather than criticisms to offer. He mentioned two military factors of concern to our military, but added that plan French laid out in Washington appears to hold promise of success. Nash also referred to assurance given Letourneau that US would undertake furnish equipment for additional battalions, and fact that if Vietnam national forces could be developed in units larger than battalions, would be more self-confident and effective.

6. Bourges-Maunoury said aid in prospect is substantial and enables French envisage financial problems in better light. However, budget economies will still be necessary in 1953 and 1954. French objective will be make them without harming military potential.

7. Pleven said helped considerably to have these aid indications for FY 54. Fully realized they are subject Congressional action, and inquired when final vote likely come and when French aid figure would be confirmed. Went on discuss French force levels. Had originally hoped activate larger forces than goals recently set. Even presently planned forces would cost 30 billion francs more in CY 54 and Letourneau program 90 billion more. Must consider what can do with resources available, including aid. Hopes to consult with US experts regarding new weapons and other savings. Asked if special program (paragraph 5(a) memo) would be of kind to help French budget. Stassen confirmed this.

8. Pleven went on to speak of difficult and intricate problems posed for France by IC. Made point that if additional effort in IC, to which we had indicated a willingness to contribute a portion, were to require additional French outlays, might pose insoluble difficulties.

9. Bidault spoke of French internal political problems in relation IC war. Some French are saying leave IC to cut expenses. Bidault said that defense of IC will go on, with US help and that of ASIC. It is French aim to build latter up.

10. Dulles replied Pleven question re timetable by saying should know Congressional action toward late June and should have fairly

definitive figure for French by August. Stressed importance French developing program that will commend itself to Congress and American people. Again expressed confidence in future of French and our desire help over present difficulties.

11. Other matters touched on being reported separately. [4]

12. Stassen and Ohly bring full details.

DILLON

[4] *Infra.*

No. 597

751.5 MSP/4-2653: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, April 26, 1953—9 p. m.

5673. Pass DMS, MSA, Treasury, Defense. Limit distribution. Following is text of memorandum on aid, dated April 26, referred to in immediately preceding telegrams.

Begin text. 1. The US Delegation has given further study to the question of aid to French from the MSP, and related matters. It is understood that the French Government will present its financial plans to the French Parliament in May of this year. It is understood from the French Government that these financial plans as prepared by the French Government will include certain reductions in the current 1953 budget, which may entail certain unavoidable reductions in defense expenditures; certain tax reforms designed to bring in some additional revenue; and arrangements for internal financing adequate for the remainder of 1953. It is understood that there is also a need for additional dollar resources to be made available at an early date.

2. In light of the extension of the war in Indochina by the new aggression in Laos, the US is now prepared to make this one immediate unconditioned commitment: To make available to French the sum of $60 million as a grant from the MSP as an advance payment in relation to US FY 1954 aid to French. This $60 million, or such portion as may be required, may be used as a special resource to pay any balances needed in the EPU settlements.

3. Subject to substantial achievement of the financial program contemplated by the French Government and described in paragraph 1 above, the US will give favorable consideration to a proposal for an EXIM Bank loan in the amount of one-half ($100 million) of the existing $200 million of offshore procurement contracts, to be repaid by means of one-half of the receipts as they are earned under the contracts, and will give favorable consideration to a request for the use of the franc counterpart of the $60 million after June 30, 1953, at any time during US FY 1954 and as a part of the US FY 1954 aid program for France.

4. The further FY 1954 MSP is dependent upon:

(a) Congressional action;
(b) A French defense contribution from their own resources in CY 1954 in line with NATO discussions as to France's political-economic capabilities;
(c) A French military program for CYs 1953 and 1954 and its NATO forces in line with NATO recommendations, it being understood that the 1954 goals at this time are provisional only and that, as the French Minister of Defense reported to NATO, the air goals would need to be adjusted especially.

5. Subject to the conditions set forth in paragraphs 3 and 4 above, the US will recommend to Congress a FY 1954 MSP for France as follows:

(a) The US to provide the funds for a special French artillery, automatic weapons, and munitions payments program for French metropolitan forces assigned to SACEUR, in the amount of $100 million.
(b) The US to provide funds up to maximum of $460 million, which is estimated to be approximately 40 percent of the current rate of expenditure on the Indochina war, of which $60 million will be advanced under paragraph 2 hereof.
(c) Subject further to the adoption by the French Government of a satisfactory military program which in all its aspects holds the promise of success in Indochina, the US is prepared to provide a portion of a mutually agreed additional French effort in IC, involving especially additional trained forces of the associate states. This portion would be of a moderate amount of dollars and subject to specific subsequent agreement before it is to be considered a commitment.

6. The US makes these substantial proposals with confidence in the fundamental strength of the French economy, and with the belief that if the French Government takes the necessary and desirable decisions, and [*then*?] France will have both economic and military success in these matters.
7. These proposals are apart from the anticipated delivery of certain military end-items and the probable award on a competitive basis of certain offshore procurement contracts, both of which will proceed under normal procedures and conditions. *End text.*

DILLON

No. 598

611.51/4-2753: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, April 27, 1953—3 p. m.

5679. Re Embtel 5672, April 26. [1]

1. At second session bipartite talks with France, after discussion of aid matters reported reference telegram, Bidault turned to EDC, alluding to Secretary's reference to subject earlier in meeting. Bidault said that since assuming duties Foreign Minister his position re EDC had been subject much press comment and misinterpretation. Stated he wished make clear he personally strongly favored EDC. It is intention French Government obtain ratification of EDC, and government has no alternative policy. However, no Parliament easy to handle and government will encounter obstacles and difficulties, but government determined push through ratification.

2. Recent Soviet moves intended to place obstacle in path development single united Western European community. Present government wants West European community—on military, political and economic levels. Any French Government would want same thing. Concluded by saying obviously impossible for him attempt give exact date now by which ratification will be completed.

3. Pleven added that French Government has only one aim in matter, and that is to achieve EDC ratification. Explained that after plan had been put forward, there had been general elections and a new Parliament. Has taken time educate new deputies. Concluded by saying great majority French people in favor EDC and he convinced will succeed.

4. Secretary said we convinced that it is purpose French Government to carry EDC through. We know how difficult and complex these matters are but French should appreciate that public opinion sees things in simpler terms and there is considerable public impatience in US over EDC progress. Secretary said he agreed with Bidault that recent shifts in Soviet tactics explained in good part by progress toward West European unity. Soviets realize they could not dominate a united West Europe. Must guard against maneuvers to leave Germany between West and East.

5. Bidault commented briefly on Morocco. Said subject already covered in Washington but wished again say that French Government convinced Sultan and Nationalists more attached to revision of political status than to reforms. French believe reforms neces-

[1] Document 596.

sary and must come first. They hope we will not permit Nationalists to try delay matters by appeals to us.

DILLON

No. 599

611.51/4-2753: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, April 27, 1953—1 a. m.

5674. Secretary Dulles, accompanied by Dillon and MacArthur, had one hour talk with Mayer accompanied by Burin des Roziers late Sunday. [1] Mayer stated that on reconvening of Assembly May 12 he would submit law for constitutional reform and revised fiscal program for 1953. He regards constitutional reform as more important of the two projects as he considers France's difficulties to be primarily political. He hopes to get three-fifths majority so as not to require national referendum on constitutional reform but is completely confident of success in referendum if one should be necessary. Fiscal reform will consist primarily of cuts in expenditures as he feels any new taxes would be passed on in higher prices which would start an inflationary spiral. Therefore, there will be few or no raises in tax rates. He thanked Secretary for aid program outlined to French at bipartite meeting earlier in afternoon [2] and expressed hope that Export-Import loan of $100 million rediscounting offshore contracts would be forthcoming by May 15 to meet EPU payment.

Secretary told him that Bourges-Maunoury had indicated that 60 million MSA grant outlined in program would be adequate to cover May 15 dollar requirements. Mayer observed that Bourges may have been over-optimistic and that requirements would not be known until early May when April EPU deficit became final.

Remainder of session devoted to German unification and general disarmament. Mayer stated the two subjects were really one. A neutralized Germany balanced between East and West would greatly increase the peril to the remainder of Western Europe. Secretary agreed but forcefully pointed out that answer was to create EDC and thus strengthen European community before negotiating with Soviets on Germany. Mayer agreed with this but asked what would we do if Soviets request a four-power meeting on Germany

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[1] Apr. 26. A memorandum of this conversation is in Conference files, lot 59 D 95, CF 152.

[2] For a record of the meeting, see Document 596.

prior to establishment of EDC. Secretary said we then should request action on first three items of President Eisenhower's program [3] namely Korean truce, Indochina peace and Austrian peace treaty before talking with Soviets on Germany.

Secretary pointed out this should give necessary time for ratification of EDC. Mayer agreed to this program but reiterated his belief that German question was inseparable from general problem of armaments and that two questions must be considered together.

Whole discussion was carried on in very cordial and frank atmosphere and resulted in useful clarification of views.

DILLON

[3] Reference to President Eisenhower's program as outlined in his "Chance for Peace" speech delivered on Apr. 16; see footnote 3, Document 590.

No. 600

Editorial Note

The government of René Mayer was defeated by a vote of 328 to 244 in the National Assembly on May 21 and, according to the Embassy's evaluation reported in telegram 6050 from Paris, May 21, internal political considerations were paramount in precipitating the government crisis. Embassy officials believed that the Mayer government "was essentially overthrown because Gaullist trend toward participation combined with special interest opposition to his financial program." (751.00/5–2153) In telegram 6054 from Paris, May 22, Embassy officials predicted that the government crisis could be alleviated if the governing coalition was broadened by bringing the RPF into the government. (751.00/5–2252)

In the weeks that followed, Guy Mollet, André Diethelm, Paul Reynaud, Pierre Mendès-France, Georges Bidault, and André Marie, were all unsuccessful in forming a new government. President Vincent Auriol let it be known that if any other investiture attempts were unsuccessful he might resign. This statement by Auriol, according to telegram 6464 from Paris of June 15, was illustrative of the growing sense of emergency in the National Assembly and a feeling that conventional methods might not suffice to reconstitute a government with an adequate program and powers to meet the situation. (751.00/6–1553)

Finally, following an overwhelming investiture vote of 398 to 206, Joseph Laniel became the new French Prime Minister on June 27. According to Embassy officials, the composition of Laniel's Cabinet assured continuity in French foreign policy through the presence of

Bidault as Foreign Minister and René Pleven as Minister of Defense. The creation of vice premierships for Reynaud and Pierre-Henri Teitgen was interpreted as a strengthening of the pro-European integration forces. A report on Laniel's investiture vote was transmitted to the Department of State in telegram 6664 from Paris, June 27 (751.00/6-2753); an evaluation of Laniel's Cabinet was contained in telegram 6671 from Paris, June 28. (751.13/6-2853)

A detailed 15-page study of this government crisis, drafted by Martin F. Herz and entitled "Lessons from the Present Government Crisis," was transmitted to the Department of State in despatch 2931 from Paris, June 23. (751.00/6-2353) Two weeks later Herz drafted a followup analysis entitled "The Political Parties After the Crisis," which attempted to evaluate the impact of the crisis on the attitude of the political parties and on changed relationships between leaders and rank-and-file members; this study was transmitted to the Department of State in despatch 114 from Paris, July 9. (751.00/7-953)

No. 601

751.00/6-2653: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

CONFIDENTIAL PARIS, June 26, 1953—7 p. m.
PRIORITY

6661. Reference: Deptel 6128; [2] Embtels 6624, [3] 6643, [4] June 21, 25, 26.

1. We believe any French Government will certainly make its foremost preoccupations to bring to attention of France's Allies strong sentiment, brought out repeatedly during this crisis, that in view of NATO commitments, Indochina burden exceeds her capabilities even after taking into account present volume of US aid; and that France can only be brought to her feet again if her financial over-extension is reduced.

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[1] Repeated to Saigon.

[2] Telegram 6128 requested the Embassy's comments on André Marie's call for a new division of burdens not only relating to the Indochina effort but also concerning the NATO commitments. (751.00/6-1853)

[3] Telegram 6624 contained an abstract of Embassy despatch 2931 which analyzed the first 4 weeks of the current government crisis. (751.00/6-2553) For information concerning this despatch, see the editorial note, *supra*.

[4] Telegram 6643 briefly summarized Laniel's investiture declaration. (751.00/6-2653)

2. French attitude is that in military field NATO commitments and Indochina requirements must be looked at together. Any French Government, therefore, can be expected to seek, through increased aid, sizeable diminution of French financial contribution from own resources for military purposes.

3. In his investiture speech today Laniel said "burden which France is assuming for defense independence of Associated States, and for common cause of free peoples, is too heavy for herself alone. This question will be raised at Bermuda conference." [5]

4. Although impossible now to forecast exactly what French Government will say on this point at Bermuda, our estimate is that financial "burden sharing" question will be raised along lines French have been urging multilaterally and bilaterally over past 3 years. We should be prepared for substantially stronger French pressure to achieve results along this line than heretofore. We have no indication that French have at this time anything in mind other than lightening burden through increased aid, in conjunction with some further reduction in the French military contribution from their own resources.

5. On basis present state of French economy and finance, we feel certain that military budget in calendar year 1953 will not be more than 1375 billion francs (Embassy despatch 2523, May 18 [6]), which is 42 billion francs below figure originally voted. We doubt that France would find it possible to decrease this budget figure appreciably in current year. As to French calendar year 1954 military budget, our guess is that it will not be larger than calendar year 1953, and that there will be pressure to set an overall ceiling below this year's level unless US aid increased substantially above projected levels.

6. Also impossible estimate with any precision how French will decide to split up total calendar year 1954 military expenditures. However, our guess is that a continuation of defense of Indochina would require expenditure in calendar year 1954 of not less than in 1953 calendar year. Therefore, if total resources available for overall military budget reduced below this year's figure, chances seem to be that reduction would fall on NATO segment of total budget.

7. We will of course attempt ascertain something more definite as to probable French line as soon as new government is formed.

DILLON

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[5] For documentation concerning the Bermuda Conference between the Heads of Government of the United States, United Kingdom, and France, originally scheduled for June but postponed until December 1953, see vol. v, Part 2, pp. 1710 ff.

[6] Despatch 2523 reported on the new financial program of René Mayer's government. (851.10/5–1853)

No. 602

Editorial Note

Following President Eisenhower's expressed desire to appoint a French officer to one of the top NATO commands, a desire which was noted by the National Security Council at its 138th meeting on March 25 (see Document 581), a series of meetings was held between President Eisenhower and General Matthew B. Ridgway in which it was decided that the United States would support the proposal to establish two new positions in the NATO command structure, the positions of Commander in Chief, Center and Commander Land Forces Center. This recommendation was used as the basis for an agreement in the Standing Group on the command change and the matter was then referred to the Military Representatives Committee. When Dutch officials raised objections, the Department of State responded that this was a NATO military matter which should be settled in the Military Representatives Committee and not in the North Atlantic Council. (Memorandum by Merchant, June 17; 740.5/6–1753)

After discussion in the Military Representatives Committee, it was decided to approve the reorganization of SACEUR by establishing a Commander in Chief, Center and a Deputy SACEUR for Air. The North Atlantic Council was informed of this decision in a closed meeting on June 2 and a statement was read to the press the following day announcing the changes. (Airgram Polto A–5 from Paris, July 2; 740.5/7–253) General Pierre Alphonse Juin was appointed Commander in Chief, Allied Forces Central Europe, and General Marcel Carpentier, another French officer, was named the new Commander, Allied Land Forces Central Europe; the new position of Deputy SACEUR for Air was taken by General Lauris Norstad of the United States.

No. 603

Editorial Note

Following a postponement of a meeting of the Heads of Government of the United States, the United Kingdom, and France, scheduled for June in Bermuda, due to Winston Churchill's illness, the Foreign Ministers of these three countries decided to meet in Washington instead in order to discuss problems of mutual interest. For documentation concerning the Tripartite Foreign Ministers meetings in Washington, July 10–14, including bipartite talks be-

tween representatives of the United States and France and between officials of the United States and the United Kingdom and tripartite talks with all three delegations, see volume V, Part 2, pages 1582 ff.

No. 604

DMS files, lot W-1444, "France"

The Secretary of State to the Director for Mutual Security (Stassen)

WASHINGTON, July 17, 1953.

MY DEAR MR. STASSEN: I am enclosing herewith a translation of an *aide-mémoire* which we received yesterday from the French Ambassador, regarding the interest of the French Government in securing from the Export-Import Bank an advance of $100 million against payments on United States procurement contracts in France.

This request has been made pursuant to the Memorandum on Aid handed to the French Government in Paris on April 26, 1953, [1] in which it was stated that "subject to substantial achievement of the financial program contemplated by the French Government and described in paragraph 1 above, the United States will give favorable consideration to a proposal for an Export-Import Bank loan in the amount of one-half of the existing $200 million of offshore procurement contracts." The financial program of the Laniel Government, along lines similar to the program contemplated by the Mayer Government as of April 26, has now been enacted by the French Parliament and is being implemented by the Government.

I believe that steps should now be taken to carry out the understanding given to the French Government on April 26, and I would appreciate having your views on the matter.

I am sending an identical letter to Secretary Humphrey.

Sincerely yours,

JOHN FOSTER DULLES

[Enclosure]

Aide-Mémoire From the French Government

[PARIS,] July 13, 1953.

It was foreseen in article 3 of the *aide-mémoire* submitted at Paris on April 26 to M. Georges Bidault by the Secretary of State

[1] Transmitted to the Department of State in Document 597.

that, subject to substantial achievement in carrying out the program of financial recovery which was then under study, the American Government would consider favorably the partial financing by the Export-Import Bank of the "budgetary offshore" contracts concluded with France.

Since that time a change in Government has taken place in France.

The Government presently in power has undertaken the implementation of a program of financial recovery similar, in its main features, to that which was prepared by the preceding Government. Parliament has just approved this program and has given to the Government the necessary powers to assure its realization.

It therefore appears that the preliminary conditions set forth in the *aide-mémoire* of April 26 have been fulfilled.

The French Government believes that there is nothing further which would prevent the American Government from giving an agreement in principle to the financing operation of the Export-Import Bank mentioned above.

No. 605

Secretary's Letters, lot 56 D 459, "M"

President Eisenhower to Prime Minister Laniel [1]

SECRET [WASHINGTON,] July 28, 1953.

DEAR MR. PRIME MINISTER: I have asked Douglas MacArthur, II, who, as you know, is Counselor of the State Department, to proceed to Paris to convey to you my warm personal greetings and to discuss with you informally problems of common interest. One of these which is much on our mind these days is Indo China. [2]

While I assume that Mr. MacArthur will seek an audience with you in company with our Ambassador, if you should want to give him any personal messages, I would be glad to receive them.

You will recall that Mr. MacArthur brought us together in Paris some two years ago and I hope that the acquaintance then begun can be renewed in the not too distant future.

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[1] Attached to this letter, along with Laniel's response of July 31 (Document 607), was a covering memorandum indicating that this exchange of letters was being circulated for information to Merchant, Johnson, Bonsal, and McBride.

[2] A summary of the meeting between Laniel and MacArthur, which dealt with matters relating to Indochina, was transmitted to the Department of State in telegram 409, July 31; for the text of this telegram, see vol. XIII, Part 1, p. 706.

With assurances of my continued respect.
Sincerely,

DWIGHT D. EISENHOWER

No. 606

396.1/7-3153: Telegram

The Ambassador in France (Dillon) to the Department of State

TOP SECRET PARIS, July 31, 1953—8 p. m.

413. Limit distribution strictly. MacArthur and I saw Bidault this afternoon. He told us that things had not been too easy for him recently, and he mentioned in particular Salisbury's statement in the House of Lords that the British in Washington had tried to attain agreement on a four power meeting at the highest level but had not been able to do so because of French and US opposition. [1] He pointed out that this was not a correct description of what had happened and said it naturally made things more difficult for him in France. He also pointed out that the President's letter to Adenauer [2] had had a very bad effect here in France and had constituted a serious blow against French ratification of EDC. He said that the one good thing about the letter was its timing, coming at a period when the French Parliament was on vacation, and when everyone was preparing to take their August vacations. He said he hoped it would be forgotten in the fall by the time Parliament came back.

We then talked about Indochina, and he pointed out that the real problem now was the question of finding the necessary financing, and that the action of the Senate in reducing Indochina credits by $100 million had been a very severe blow. [3] MacArthur told him that this decision was not yet final and described the efforts of the administration to have these funds restored in conference. Bidault was very pleased by this explanation as he had not realized that any possibility remained of restoring the funds. He pointed out that his problem in regard to Indochina was particularly difficult as there were a number of people in the French Cabinet opposed to continuing the war effort in Indochina. Among those in the Cabi-

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[1] Regarding the Foreign Ministers meetings in Washington, July 10–14, see Document 603.

[2] For the text of President Eisenhower's letter to Chancellor Adenauer of July 23, see vol. VII, Part 1, p. 491.

[3] For information concerning Congressional reaction to the Mutual Security legislation and Congressional efforts to reduce appropriations during the Second Session of the 82d Congress, see Document 276.

net who desired to pull out of Indochina as soon as possible, he named Reynaud, Mitterand and Faure. He also said that Pleven had not been much in favor of sending additional troops to Indochina. He then said that, nevertheless, he would be able to carry the principle of an increased effort in Indochina, provided the necessary funds could be found. We pointed out to him our deep interest and desire to help in the present situation in Indochina but said that the US was unable to do anything concrete until it had received the details of the French plan. He agreed that the next step was for the French to give us their definite plan. He said further that Reynaud's overall plan was to leave Indochina and simultaneously to dethrone the Sultan of Morocco in order to prove that France was still a strong power. He said that this was obviously a ridiculous policy in both regards. He then thanked MacArthur for his information on Indochina and said that it was helpful to know definitely of our real interest in Indochina. He said that he personally had always felt that the US was deeply interested and would do what it could to help.

DILLON

No. 607

Secretary's Letters, lot 59 D 459, "M"

Prime Minister Laniel to President Eisenhower [1]

SECRET PARIS, July 31, 1953.

MR. PRESIDENT: I have been particularly touched by the message that you had the kindness to send me. No emissary could have been more pleasing than the one you chose.

I have had with Douglas MacArthur II, according to your desire, a very frank and very complete conversation on the principal problems with which my Government is faced and notably on the question of Indochina. I have requested him to give a faithful account; [2] in turn, I express the wish that the occasion will be furnished me in the near future to meet you again.

Please accept [etc.]

J. LANIEL

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[1] Attached to this letter, along with President Eisenhower's letter to Laniel of July 28 (Document 605), was a covering memorandum indicating that this exchange of letters was being circulated for information to Merchant, Johnson, Bonsal, and McBride. It was noted on the source text that this was an unofficial translation of Laniel's letter.

[2] An account of this meeting was transmitted to the Department of State in telegram 409 of July 31; for the text of this telegram, see vol. XIII, Part 1, p. 706.

No. 608

EUR files, lot 59 D 233, "Letters—France, July-Dec. 1953"

The Ambassador in France (Dillon) to the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL
OFFICIAL–INFORMAL

PARIS, August 3, 1953.

DEAR LIVIE: When I was talking with Mendes-France the other day at our daughter's wedding, he mentioned that he planned to be in Washington for about two weeks beginning the first of September. He is going over for some meeting of the International Monetary Fund. He said he is looking forward very much to meeting some of the leaders of the new Administration.

While Mendes-France is associated with certain policies that do not agree with our own present objectives, he personally always professes to be very friendly to the United States, and both Harry Labouisse and I believe that this is his real feeling. In view of his importance politically and the possibility that he may become Prime Minister of France sometime in the not too distant future, I think it is very essential that he be well looked after while he is in Washington. I feel he should have the opportunity of meeting and talking with the top people, not only in the Treasury Department and the International Monetary Fund group, but also in the Department of State, including a good talk with the Secretary and the Under Secretary. I personally think that this is very important and hope that you will be able to make the necessary arrangements to give him a really good time while he is in Washington.

He also told me that he might possibly be accompanied on this trip by Edgar Faure. About the same recommendations apply to Faure if he should visit the United States, although I am not as certain of his personal good will toward the United States as I am in the case of Mendes-France. [1]

With best wishes,

Sincerely,

DOUGLAS DILLON

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[1] In a letter to Dillon of Aug. 7, Merchant noted that arrangements would be made for a luncheon with Mendès-France as well as a possible meeting between him and Secretary Dulles if it could be satisfactorily scheduled. (EUR files, lot 59 D 233, "Letters—France, July-Dec. 1953") Subsequently arrangements were made for a luncheon at the Carlton Hotel on Sept. 8 with Assistant Secretary Merchant and Under Secretary Lourie and for a meeting with Secretary Dulles at 11 p. m. on Sept. 11. For a record of this Sept. 11 meeting, see Document 613.

No. 609

751G.00/8–453

Memorandum by the Ambassador in France (Dillon) [1]

TOP SECRET PARIS, August 4, 1953.

Subject: Discussions with Prime Minister Laniel concerning his economic and financial program.

During the past week I have had an opportunity to review with Prime Minister Laniel his thinking on the policies which he hopes to pursue in the economic and financial field. This memorandum contains a summary of our discussions.

In considering Laniel's chances for carrying out the rather wide-sweeping program which he envisages, I think it is important to remember that he is not a politically ambitious man. He did not actively seek the job of Prime Minister and was chosen in the final phase of the longest Ministerial crisis since the end of the war primarily because of his general acceptability, based largely upon his fine record in the Resistance and his disassociation from past party feuds.

Now at this critical period in French public affairs Laniel finds himself vested with "special powers" of a much broader scope than most people realize. With these powers his Government can introduce far-reaching economic and financial reforms. Since these powers have been voted for a limited period of time only, this is an opportunity which will shortly pass. However, Laniel states he is determined to accept his unusual responsibility and not let that opportunity pass unutilized.

Laniel takes as the point of departure for his policies the thesis that France—for her own good as well as in the interests of her European associates and her NATO partners generally—must be freed from the position of dependence in which she has languished since the end of the war. This objective, he believes, cannot be accomplished unless and until a solution is found for France's chronic economic and financial ills. And this means a significant reduction

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[1] This memorandum was sent to Acting Secretary of State Smith as an enclosure to a letter from Dillon dated Aug. 4. In his letter, Dillon explained that this memorandum was intended to elaborate upon and supplement the information sent to the Department of State in recent telegrams concerning the initiation of a more aggressive military campaign in Indochina; Dillon wanted to relate Laniel's thinking on the Indochina problem to the broader framework of the economic and financial program which Laniel hoped to undertake.

According to a memorandum by Walter K. Scott of Aug. 14, this memorandum by Dillon was read by Dulles and Smith and single copies were sent to Secretary of the Treasury Humphrey, Secretary of Defense Wilson, and Stassen of the Foreign Operations Administration. (EUR files, lot 59 D 233, EUR subject file)

in the level of commitments—both domestic and external—which now overburden the French economy and keep it in a constant state of near collapse. The "special powers" in his view represent a unique chance for an attack upon this problem even though he recognizes that his freedom of action is circumscribed by the overriding necessity for France to make a major contribution to the defense of Europe and of Southeast Asia.

I would like to caution that while Laniel has impressed me with his determination to accomplish something concrete and significant, the Government has not yet reached any decisions on the use it will make of the "special powers." The various possible courses of action are now under study by a series of committees working under the direction of Finance Minister Faure. Some initial measure will be announced in the early part of August. However, as is usually the case in France, the most useful reforms will probably be taken only a few days before the broadest of the "special powers" expire at the end of September. I would also emphasize that all decisions on the use of the "special powers" must receive the agreement of the full Cabinet. Consequently, we must recognize that however far Laniel himself may be prepared to go, he may in the end have to give ground to some of his colleagues or risk provoking another Ministerial crisis.

The first point in Laniel's program is to maintain stability in prices and wages. The wheat price, which sets the tone for a number of key agricultural prices, has already been held at last year's level. Now the Government, under Faure's sponsorship, is engaged in one of its periodic campaigns to lower prices by such devices as "shock imports" and direct controls. This campaign is being carried out in anticipation of the usual seasonal tendency of prices to rise in the autumn. The idea behind it is to gain as much margin as possible in the cost-of-living index below the crucial figure of 149.1. At that point an automatic wage increase is set in motion under the escalator wage law.

The second and central point of Laniel's program is to introduce a substantial measure of order into the public finances. He is determined to bring within manageable proportions the excessive budget deficit which has been the source of the continuous French inflation since the war. The problem for 1954 becomes even more serious, because certain expenditures, such as debt service, pensions, and investments underway, must unavoidably increase. Laniel's aim—and in this he is firmly supported by Faure—is to carry out important reductions in both the civil and defense expenditures, affecting in the latter case Indo-China as well as the French Metropolitan budget. At this early stage, precise information on the 1954 budget is not available but the reduction goals Laniel mentioned to

me—a 250 billion franc reduction in civil expenditures, a 100 billion franc reduction in defense expenditures for Metropolitan France, and a 50 billion franc reduction in the Indo-China budget—seem highly optimistic. Reductions of anything like the magnitude of 250 billion in civil expenditures are sure to encounter serious political opposition and plans will certainly have to be revised downward. Laniel stresses that to have any success he must insist on sizeable reduction in defense expenditures as well.

Laniel's tactic is to present the 1954 budget to the French public as completely in balance. To accomplish this he proposes first to remove from the budget the credits for capital investment. These credits to finance the modernization programs of the nationalized enterprises and to provide development loans to private industry and agriculture would be made conditional on borrowing the necessary resources from the capital market. His aim would then be to curtail severely or, if possible, completely eliminate the residual budget deficit of 400 or 500 billion francs remaining after the elimination of these investment credits by the reductions in civil and military expenditures to which I have referred above.

From a strictly financial point of view the device of simply removing capital investment appropriations from the budget really does not alter the basic situation with respect to the investment projects in question. The money must still be found to cover them or the Government must reach a political decision to see them abandoned. However, we should not underestimate the psychological benefits of being able to make a fairly strong argument that the budget is at long last balanced, even if under one interpretation this is not strictly the case. It has been demonstrated time and again that the psychological element is an extremely important one in the French economic and financial picture, and this consideration has obviously weighed heavily in Laniel's mind.

The third major point in Laniel's program is the revision of French external financial policy. He has not yet spoken to me of his plans, but his advisors tell me that Laniel believes a new rate for the franc would increase substantially France's earnings of foreign exchange, and that the new rate could be held if the rest of his program is vigorously implemented. The Government is now giving active consideration to the possibility of devaluing around the middle of this month, but the decision is not yet definite. Laniel is inclined to consider an immediate operation both necessary and desirable, but Faure is still hesitating. First of all, Faure fears that a rate adjustment will induce price increases in steel and other key commodities, thus leading to a new price-wage spiral, and second, he tends to prefer carrying out a devaluation only when it is possible to announce a definite budget for 1954. This

would mean waiting until there is a definite arrangement on American assistance as well. Agreement on a budget for 1954 will take some time and, if the operation must be postponed until then, any hope of a devaluation by this Government might have to be abandoned.

The Bank of France now definitely favors an immediate exchange rate adjustment. Governor Baumgartner has said he would be prepared to support the operation by a tighter credit policy and even by an increase in the rediscount rate. The latter step would increase the cost of government financing and might be possible only as a temporary step.

If a decision to devalue is taken, present plans are that the rate would be allowed to move only about 15 percent—that is, to 400 francs or just over for one dollar—and then be allowed to fluctuate within a range of some 10 to 15 points. Exchange controls would be maintained so that the flexibility in the system would be artificial. The hope apparently is to create an impression in the public mind that the official rate for the franc is a real one and also to bring about a noticeable improvement in the rate at the appropriate time in order to convince the public that the operation has been a success.

Laniel also favors a return to trade liberalization. The Finance Ministry is considering lifting quotas on textiles, shoes, kitchen utensils and certain other consumer items. Supporting such a program will also create political difficulties for Laniel. There is little to do in freeing financial transaction. Tourists might be given larger allowances and the limit on exports of banknotes by departing travelers might be increased.

The Indo-Chinese piaster will presumably move with the franc. The adjustment foreseen is not large enough to raise much of an outcry in Saigon and, under the present financial relations between France and Indo-China, any fluctuation of the franc against the piaster doesn't make much sense. At a later time, if the Associated States obtain enough financial independence, they can appreciate the piaster if they wish to do so.

One of the first problems Laniel's program presents for us in any aid negotiations with the French is the U.S. position on the level of military expenditures for the French NATO build-up itself. Some of the French insist that economies can be made without its being necessary to revise the goals; others that cuts of the magnitude of 100 billion francs will mean a reduction in forces. Pleven is certain to oppose these cuts strongly and has already been pressing within the French Government to open negotiations with the United States in the hope we will take a position supporting his view.

The far more serious problem is Indo-China. I believe my telegrams contain all the details now available on Laniel's plans for a more active military campaign. I would, however, like to stress that Laniel does not wish to present the problem of financing as merely another request for additional assistance from the United States to support French operations in Indo-China. He believes that the international developments of the past two months have created an entirely new situation, requiring the United States and France (and perhaps the United Kingdom) to make a really searching re-examination of the problem of Indo-China. His views are still somewhat vague, because there are still substantial disagreements on the Indo-China policy within the French Cabinet. However, I might summarize them as follows:

(1) The relaxation of international tensions and the Armistice in Korea leave France the only country engaged in active military operations.

(2) France is now giving the Associated States real independence. I understand that Laniel tends more and more to the views of Reynaud and Faure, who are prepared to give the Associated States the choice of whether or not to remain in the French Union and even to have France propose that the United States give assistance directly to the Associated States, if that will facilitate the presentation of the Indo-China problem in the United States. However, Laniel has not discussed this aspect of the question with me, probably because of the sharp difference of opinion between Reynaud and Bidault.

(3) The war in Indo-China then becomes even more clearly a fight against Communism in the common interest. In Laniel's view, France, in these new circumstances, is entitled to expect a greater sharing of the responsibility for, and the burden of, helping the Associated States.

(4) Moreover, Laniel states he cannot lead France out of her constant financial difficulties and her posture of continuous dependence unless he can reduce the defense expenditures of France. His whole program in his view hinges on that.

Laniel, you might say, wishes to give "part of the baby to the United States" but he is prepared to accept all the logical consequences of that wish in granting the Associated States an independent status.

Such details of Laniel's program as are available and the views attributed to him in this memorandum should be held in secrecy. He has not yet taken many of his Cabinet colleagues into his confidence, and the divulging of this information could prove of considerable embarrassment to him.

No. 610

611.51/8-453: Despatch

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, August 4, 1953.

No. 469

Subject: The Decline of French Confidence in US Leadership

I warmly welcomed your Circular Telegram 53 of July 23 [1] as recognition of the necessity of maintaining the confidence of our allies if US leadership of the free world is to be effective.

In reply I enclose a memorandum [2] which I have drafted with the cooperation of the senior members of my staff and which I commend to your most serious consideration. It may be summarized as follows.

1. French confidence in US leadership has indeed declined in the last six months.

2. The basic causes are as follows:

a. Domestic political developments, in particular the method of opposing Communism at home summed up in the term "McCarthyism" and, even more important, the fact that the Administration has not made any direct public denunciation of McCarthyism.

This is the greatest single cause of the decline of French confidence in our leadership. Behavior which the French associate with dictatorship cannot be indulged in in any instance by the world's leading democracy and leave confidence in that country as a leader of the free world intact in France.

b. Doubts as to who speaks for the US in foreign affairs. Frenchmen are disappointed when the tone and substance of the President's words on foreign and military policy are not followed by all members of the Administration, including particularly top military officers; they totally fail to understand how basic American policies can be attacked in the public speeches of Republican Congressional leaders.

The French doubt the Administration's ability to obtain the necessary support and acceptance of its policies in the Congress. They fear the apparent growth of Congressional leadership in foreign policy as opposed to leadership by the President and the Department of State. They have little confidence in any parliamentary body as a vehicle for world leadership in foreign affairs. On the other hand, they have only the greatest respect for the President's opinions and policies in foreign affairs, and are prepared to welcome any direct assertion of Presidential leadership.

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[1] See footnote 1, Document 824.

[2] Not printed; it was an 11-page memorandum prepared by the senior staff officials of the Embassy with a 1-page supplementary memorandum on French public opinion.

c. Doubts as to whether the present US Government believes in the possibility of a long period of peaceful coexistence with the Soviet Union, and hence constant worry that the US may ultimately direct its policy toward military victory rather than toward preservation of peace.

Frenchmen see in the policy of "rolling back the iron curtain," and the clandestine acts presumed to accompany it, as distinct from the policy of "containment," increased risks for their own security in Europe because of their apprehensions both as to German irredentism and as to the temptation to the Soviet Union to take retaliatory action that might bring on a third world war.

Strengthening apprehensions on this score is the conclusion of many ordinary French citizens that our reluctance to enter into broad negotiations with the Soviet Union means we do not sincerely desire peace.

d. A tendency on the part of Washington to act without what the French consider adequate consultation with our allies, or US insistence that its policies be adopted by its allies and associates even when the US is at the start in a minority of one. Respective examples of these counts against the US are the recent letter of President Eisenhower to Chancellor Adenauer, [3] and the position of the US on matters concerning East-West trade.

e. The current European mood of increased national self-assertiveness, particularly toward the US, and the responsiveness of the war-weary European peoples to the seemingly friendly gestures of the Kremlin. These two phenomena are, however, less important factors in contributing to the loss of confidence in our leadership than our tolerance of McCarthyism at home and French doubt, mistrust, and resentment over various aspects of our policy abroad.

3. These five causes of the decline in French confidence in the US are generally intermingled and frequently heighten each other. For example, the violence of McCarthy's attacks on American Communists and on the conduct of our allies lends credence to the belief that we may be tempted by our increasing military strength to stamp out the threat of world Communism by military means and that we intend to force our allies either to follow our policies or to give us a free hand to go-it-alone. Similarly, the fact that the Administration has not cracked down on McCarthy aggravates the doubts as to whether the President has a firm grasp on the policy of his party. The unilateral aspect of some of our handling of relations with the Soviet Union enhances the fear of the French that we are wedded to an inflexible policy that makes us unwilling to take advantage of apparent readiness for a detente on the part of the Soviet Union, whether or not such readiness actually exists and regardless of what its motives may be.

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[3] For text of this letter, dated July 23, see vol. VII, Part 1, p. 491.

4. Given this situation, if we wish fully to reestablish our position of leadership with the French people, a constant effort to counteract the causes listed above is necessary, including:

a. National behavior that enables us to stand as an example of democratic comportment to be imitated by the countries who look to us for leadership. (This is a large order as it means effectively putting an end by one means or another to the phenomenon known as McCarthyism and a greater emphasis on the President's beliefs as to the fundamentals of American conduct.)

b. Self-discipline on the part of Administration and Republican Congressional leaders in order to present to the world a unified party supporting the President's leadership in foreign affairs.

c. A constant effort to convince our allies that we are being careful not to provoke the Soviet Union to retaliatory acts from which our allies believe they would be the first to suffer; and that we do not have an inflexible policy toward the USSR, but in fact are constantly reviewing it in the light of any new bases for judgment as to Soviet intentions as well as Soviet capabilities.

d. Demonstration, in our actions and through consultation, of due regard for the interests and opinions of our allies in order to convince them that we sincerely consider them as partners, equal in rights if not in strength, rather than as satellites.

e. Demonstration that we are prepared to participate fully in rather than merely to urge, common efforts to deal both realistically and imaginatively with common political, economic, and military problems.

5. Two measures of particular importance for building the confidence of our allies in the broadmindedness and constancy of our foreign policy are:

a. Adoption of a firm positive line in the matter of trade policy that will emphasize not only the necessity of a low US tariff but the stability of the level of tariffs over an extended period. This is of fundamental importance and is urgent.

b. Establishment of an affirmative Administration position that military aid will continue for some time in the future, and, if possible, indication as to the probable limits of US economic and military aid over a period of time longer than one year.

Many minor causes of irritation could also advantageously be removed from the McCarran-Walter Immigration Act without changing its basic provisions.

6. Full advantage should be taken of the unique position of the President in giving effective leadership to the country in many aspects of its international relations. France looks to the President himself not only to set the tone of American foreign policy, but also for the reaffirmation of the basic tenets of American democracy.

In presenting the conclusion that there has been a noticeable loss of confidence in the US among important segments of French opinion during the last six months, I am well aware that the French

themselves are behaving on many issues in a manner to destroy foreign confidence in France. Frenchmen who throw stones at the US live in the most vulnerable of glass houses. Nevertheless, despite the sometimes carping criticism of the US on the part of Frenchmen, it is important for our Government to recover and maintain the confidence of a people whose views are often irritating but whose friendship for the US is so important to our own security.

DOUGLAS DILLON

No. 611

EUR files, lot 59 D 233, EUR subject files

The Director of the Foreign Operations Administration Mission in France (Labouisse) to the Acting Secretary of State [1]

TOP SECRET PARIS, August 13, 1953.

DEAR GENERAL: In Ambassador Dillon's absence, I am writing with reference to his letter to you of August 4, 1953, in which he enclosed a memorandum of his conversations with Prime Minister Laniel [2] concerning the economic and financial program which the Prime Minister hoped to undertake.

You will recall that one of the measures under consideration was the possibility of devaluing the French franc around the middle of this month. I have now been advised that the interested French Ministers and their advisers met earlier in the week to examine this proposal in greater detail. At that meeting it was decided that in the face of the strikes spreading throughout France it would not be possible to proceed with the devaluation as planned. Those who had already been hesitant because of the possible effects of a rate adjustment on the wage-price structure met with no opposition when they argued that it would be far too risky to add the possible inflationary pressures of such an operation to the internal pressures for wage increases arising out of the present labor difficulties. Accordingly, it seems that all plans for a devaluation have been shelved for the time being.

It is possible that, if the labor picture improves sufficiently, something might be done in the latter part of September, or that even if a general wage increase does have to be granted, the Gov-

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[1] According to a note attached to this letter, copies of Labouisse's letter were sent to Secretary of the Treasury Humphrey, Secretary of Defense Wilson, and Director for Foreign Operations Stassen.

[2] Document 609.

ernment might find it propitious to devalue later in the year—in the latter case, undoubtedly by a greater percentage than previously contemplated. However, it seems to me quite likely that the postponement means that it will not be politically possible for the present Government to devalue.

As Ambassador Dillon suggested in his letter, I believe it would be useful if you would arrange for Secretary Humphrey, Secretary Wilson and Mr. Stassen to receive copies of this letter.

Sincerely yours,

HENRY R. LABOUISSE

No. 612

751.00/8–2253: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, August 22, 1953—8 p. m.

708. Re Deptel 582. [2] In light of available information as of today and bearing in mind that political forecasting in fast-moving situation here is always risky, following is our appreciation of overall picture fortified by recent talks with Laniel, Reynaud and Martinaud-Deplat, with Socialist opposition leaders Mollet and Gazier and continuing contact with non-Communist labor leaders:

1. One basic fact which must not be overlooked is that Laniel Government combines broad parliamentary base and relatively homogeneous character to better extent than any government since 1947. Laniel could thus afford some defections from his majority in Parliament without necessarily risking overthrow. Coalition has so far come through labor crisis substantially intact. MRP, perhaps now most disparate element of majority, has stuck by Laniel even while acting as loyal intermediary for non-Communist strikers. Former Gaullists have behaved like faithful coalition partners.

2. Opposition can be counted upon to capitalize on all mistakes and embarrassments of Laniel Government. This could be, but has not yet been, as true of Moroccan situation and leak re Navarre plan (as yet unnoticed here except for Communist press) as it was re decrees affecting labor. However, there exists no plan for joint action by opposition elements. Socialists in particular do not seem to desire overthrow of Laniel Government at this time and are not ready to participate in successor government. Non-Communist

[1] Repeated to London, Rome, and Bonn.

[2] Telegram 582 requested the Embassy's estimates and analyses of the overall French situation in light of the present crisis. (751.00/8–2053)

labor leaders seem to have exaggerated danger to their unions from prolongation of strikes. Some now even say outcome of strikes in public sector has strengthened them vis-à-vis Communists.

3. Nevertheless, strike wave has demonstrated again the narrow margin of tolerance of political scene here as well as seriousness of basic economic and social maladjustments of France. Labor dissatisfaction is real and continuing factor of great importance and strike wave has demonstrated that action possibilities of right-center government are limited by accumulated labor grievances. Given the basic continuing fact that France is over-extended politically, militarily and economically, temptation to cut commitment in Indochina continues great. Noteworthy, however, that demands in that direction have not been important factor in recent contest between government and opposition.

4. Long-term trend may well continue to be toward eventual left-center majority particularly if discouraging trend in IC is not reversed and if Mendes-France thus appears vindicated. He himself has not improved his political prospects for present, however, by reminding union delegation that his own economic program would have brought even more retrenchment and greater sacrifices than those demanded by Laniel. (This has strengthened opposition of Socialist leaders like Mollet to Mendes-France as potential leader of left-center coalition.) Nevertheless, we believe time for coalition devoted to continued French presence in Indochina may be running out unless outlook there changes significantly. In absence of such change, shift to new majority (which need not come soon) is virtually certain to involve basic change in Indochina policy in favor of withdrawal.

5. Should reversal of majority occur, however, this does not in our view necessarily imply trend toward popular front type of coalition with Communist participation or support. There is no reliable evidence that prospects for such coalition have improved. We must not confuse possible new coalition which might conduct one policy sought by Communists, with a pro-Communist or Communist-supported coalition. Left-center coalition would not be pleasing to Communists in other respects than re Indochina and in fact would probably be very effective in fighting party and undercutting its support.

6. Following are answers to specific questions in reftel:

(a) Impossible predict whether assembly will be recalled. If requisite 209 verified signatures have accumulated by August 24, extraordinary session would probably be called for end of week but strength of motivating force (strikes) declining.

(b) Apparent settlement of government worker strikes and absence of disorders in Morocco so far indicate that government's po-

sition is strengthened. Our best judgment is that even if extraordinary session takes place, it would be inconclusive one in which steam would be blown off by opposition and some minor dissatisfied elements of governing coalition but without bringing dangerous showdown involving overthrow of government or disintegration of coalition. Although virtually inevitable that Morocco would be discussed promptly, no indication so far that Indochina debate will take place prior to October 22 date set earlier by assembly.

(c) Should Laniel fall over issue unconnected with Indochina, the most likely successor would be exponent of same right-center majority, at least for present, though perhaps again a new name. Time does not yet seem ripe for change in majority.

(d) Strikes do not appear have any effect either on military or political capability of France to send additional forces Indochina. Moroccan situation has so far had no effect on either of those capabilities but should disorders occur both would be affected. Serious Moroccan disorders might make it militarily and politically impossible to send additional troops to IC. In any event dispatch of additional forces would have important bearing on climate in which October Indochina debate takes place. It is important therefore that government be able give convincing assurances at proper time that Navarre plan promises substantial diminution of French IC effort in early foreseeable future.

(e) Danger of popular front type of coalition has in our opinion at no time been significant in present years. Recent developments have not increased prospects for such coalition and may have diminished them. Possibility must, however, be constantly watched and new evaluation will be possible later in fall. Left-center coalition, which we still think is apt to eventuate sometime in not too distant future, would not necessarily indicate trend toward popular front. Nor is increasing French impatience over Indochina directly related to hypothetical trend toward popular front.

7. Whether or not Laniel Government falls in near future, and it is quite possible it will last for some time, fate of right-center coalition devoted to holding in Indochina is most of all dependent upon improvement of prospects for reducing of French commitment there. We would hesitate to say that Laniel represents "last chance" of French remaining in Indochina, but our best judgment is that important improvement in picture there within next few months will be necessary to assure continuance of French effort. Unless such improvement occurs, any shift to new left-center coalition would mean that we would have French Government that would probably be soundly anti-Communist, basically for Atlantic cooperation and no less favorable to EDC than recent governments but it would almost certainly be government determined to seek early end of French military effort in Far East.

DILLON

No. 613

Secretary's Memoranda of Conversation, lot 64 D 199 "Sept. 1953"

Memorandum of Conversation, by the Acting Director of the Office of Western European Affairs (Knight) [1]

SECRET [WASHINGTON,] September 11, 1953.

Subject: Indochina

Participants: The Secretary
Mr. Ridgway B. Knight, WE
M. Mendes-France

After the usual amenities the Secretary remarked that Russian acceptance or refusal of the Three Western Powers' invitation to the Soviets to meet at Lugano on October 15 was one of the favorite subjects of speculation within the Department. He commented that the odds in this informal betting favored Soviet rejection.

M. Mendes-France expressed his interest in our thinking as he himself had been somewhat tempted to conclude that the Soviets would accept, in view of the Communist rout in the German elections and the related major diplomatic defeat for the Soviets. For these reasons he thought the USSR would tend to counterattack and the Four Power Meeting could provide a forum for splitting the Western Powers.

The Secretary expressed the deep interest of the United States in Indochina and pointed to the great importance both to France and the entire Free World of a successful outcome to this painful and long-drawn-out war, which had not only constituted a hemorrhage for France but had been a source of much of the reluctance with which the French people considered the EDC and their association with Germany therein. It seems, however, that for the first time the elements are now assembled which should permit defeating the enemy's organized resistance and perhaps more important than the reinforcement to the fighting forces in Indochina and the stepped-up program for the armies of the Associated States is the farsighted decision made by the French Government to grant independence to the Associated States. This should remove the mask from the Viet Minh and reveal it as the instrument of international Commu-

[1] For information concerning the arrangements for Mendès-France's visit to the Department of State, see Document 608. Knight prepared a memorandum analyzing the views of Mendès-France as a briefing paper for the Secretary prior to this meeting; this memorandum, which was forwarded to Dulles by Merchant on Sept. 3 and was subsequently read by Dulles as noted on the text, is in file 751.00/9-353. In a separate memorandum of conversation dated Sept. 11, Knight indicated that in a talk he had with Mendès-France, the latter stated that it was possible that he might come to power within the next few months. (751.00/9-1153)

nism which it is. Referring to the possibility of increased Chinese support for the Viet Minh, the Secretary said that of course no one could forecast what the decision of the Communist masters would be but that he considered that under the circumstances there was just as much reason for a decision to cease hostilities as to step them up. The Secretary referred to his St. Louis speech and told M. Mendes-France that in his opening statement before the General Assembly he would call in vigorous terms for a cessation of Communist aggression in Indochina as a proof of Soviet peaceful intentions. Finally the Secretary said that he would not be surprised, in view of the probably advanced state of preparations and planning of the Viet Minh, should the fighting season in Indochina start badly and the Viet Minh score some initial successes during October.

The Secretary fully covered the impossibility of negotiating from weakness which could only turn into a Communist triumph and the necessity of building a situation of strength before one could think of negotiations with any possibility of success.

M. Mendes-France expressed his appreciation for the Secretary's views in the matter of Indochina. He stated his sincere hope that the current program being discussed between France and the US would succeed and made the point that he had never favored immediate negotiations. He did however express the personal opinion which he had had for a long time that a continuation of a stalemate in Indochina as a running sore in France's side with its resulting effect on EDC and the entire Atlantic alliance might conceivably best suit the Soviets. Otherwise he said, how can one explain that the Viet Minh in 1949–50 did not receive the necessary assistance to clinch victory when it was well within its grasp. Commenting on the possibility of reverses in October, M. Mendes-France expressed grave fears about their effect on French public opinion.

(Subsequently in talking to Mr. Knight, M. Mendes-France expanded at length on this point. M. Mendes-France believes that the "Laniel-Navarre program" goes directly counter to the desire of the vast majority of Frenchmen to see an end to the Indochina war, that this program will only be tolerated as long as it offers the possibility of success, and that any noteworthy reverses could therefore cause a popular "explosion", in front of which the French Government would probably be powerless. For this reason M. Mendes-France attaches the greatest significance to initial success for the forces of General Navarre.)

M. Mendes-France concluded by saying that in his opinion the difficulties of the French nation were primarily mental "which per-

haps makes the situation worse as those are the illnesses most difficult to cure".

(Developing this thought later with Mr. Knight, M. Mendes-France stressed the deeply ingrained contradiction in the French mind between steadily increasing impatience over the present political situation in France and the reluctance to take any steps which might affect the vested interests of all categories of Frenchmen. He also spoke at length about the essential need for France to put her own house in order, and the resulting need for sacrifices on the part of all Frenchmen as the only means of so doing, and finally of their unwillingness to make these sacrifices as long as they had the impression that these would be wasted. He seemed to be groping for new formulas to solve these various problems but not yet to have found them.)

No. 614

033.5111/9-1653

Memorandum Prepared for the Under Secretary of State (Smith) [1]

SECRET WASHINGTON, September 16, 1953.

The whole question of the Laniel visit has become extremely complicated during the course of yesterday and today. [2] We spent a long time yesterday and again this morning having a telecon with Dillon in Paris. I would summarize the situation as follows:

Bidault who has not been well, returned to Paris last Monday. He apparently does not wish to accompany Laniel to the United States if he has to play second fiddle. At the same time, he apparently does not believe it wise for Laniel to visit the United States (possibly because he does not wish the latter to have a lot of publicity, etc.). In any event, Bidault has been working on Laniel and the latter is not certain whether or not he should come to the United States. A further complication is the fact that we have not as yet been able to reach full agreement with the French on exchange of notes, and until solid agreement is reached both we and Laniel be-

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[1] This memorandum was presumably drafted by MacArthur.

[2] According to telegram 1062 from Paris, Sept. 15, urgent contacts had been made between Ambassador Dillon and French officials during the morning of Sept. 15 concerning a draft press release announcing a possible visit to Washington by President Laniel. (033.5111/9-1553) The following morning Dillon met with Bidault to make arrangements for the simultaneous release of the press announcement after approval by a telephone conversation with MacArthur, as outlined in telegram 1085 from Paris, Sept. 16. (033.5111/9-1653)

lieve it would be an error to make the trip to Washington. With respect to Laniel's trip, there are the following possibilities:

(1) That the visit may still occur as tentatively planned during the period September 19–22. The White House and the Secretary are willing to hold this possibility open until about noon tomorrow Washington time, by which time we will know one way or the other.

(2) That the visit might be postponed to September 21–23. Both the White House and the Secretary's office are agreeable to this two-day postponement if Laniel really wants to come and believes the trip will be helpful. We have told Paris we could hold this possibility open until about Friday noon if this would be helpful to Laniel.

(3) That the visit will not occur this month and will be postponed until some mutually agreed date some time later this year. I would think in view of Bidault's maneuvers and the evolution of the situation in Paris in the past twenty-four hours that this would be the most probable outcome.

Denver and Paris made a simultaneous release today at 1:00 p. m. Washington time, saying in effect that the President had invited Laniel and Bidault; that they had accepted; and that a mutually agreed date had been worked out. This release was at the French request to take the heat off Laniel after the leak concerning his visit broke in Paris yesterday. [3]

I plan to brief you immediately following returns on the foregoing developments, but am obligated to meet with the PSB Working Group at 2:00. I will, of course, check in with your office immediately upon my return from the PSB in the event you want to have further particulars from me. [4]

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[3] For the text of this White House press release, see Department of State *Bulletin*, Oct. 5, 1953, p. 460.

[4] A note by Walter K. Scott, dated Sept. 16 at 2:45 p. m., informed Under Secretary Smith that MacArthur had just been told by Dillon that Laniel could not visit the United States until later in the year. (033.5111/9–1653)

No. 615

033.5111/9-2053

President Eisenhower to President Laniel [1]

SECRET WASHINGTON, September 20, 1953.

DEAR MR. PRESIDENT: I appreciated very much your message conveyed to me through Ambassador Dillon, [2] and while I was disappointed that it was not possible for you to visit the United States at this particular time, I fully understand and appreciate the reasons why you deemed it inadvisable.

I was most encouraged to hear through Ambassador Dillon that both you and M. Bidault believe the situation now propitious for the French Government to move ahead quickly toward ratification of the EDC and that both of you now are concentrating your efforts to bring this about this year. You should remain confident of the continuing wholehearted support of the United States for the EDC concept, which sprang from French vision. It has always been our hope that this great project, which holds the promise of such magnificent permanent benefits for Europe, would come into being at the earliest possible time.

I know that you were encouraged by the results of the September 6 elections in Germany. In all our efforts to consolidate the foundation for a new Europe, I believe that perhaps the most important element is the state of mind with which the three Western nations who played the greatest part in defeating Hitler's Germany during the last war now approach their relations with the new Germany. Fortunately, the recent elections have demonstrated that contrary to the Weimar Republic, the Bonn regime has struck roots; in the

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[1] This message was transmitted to Paris in telegram 1049 of Sept. 20 with instructions that Ambassador Dillon deliver it unless he had any objection. It was noted that this letter was not to be made public and that the purpose of the letter was to be helpful and to "nail down a bit the verbal statements to you by both Laniel and Bidault with respect to pushing forward with EDC and necessity for real Franco-German *rapprochement*."

The decision to send a letter to Laniel originated during the Secretary's staff meeting of Sept. 18 when the subject of securing French ratification of the EDC took place. Upon MacArthur's suggestion, it was agreed to send such a letter and to "peg" it on the President's reply to Laniel's decision not to visit Washington in the immediate future. (Secretary's Staff Meetings, lot 63 D 75, "September 1953") According to a memorandum by MacArthur, a draft letter to Laniel was forwarded to the White House on Sept. 19 after Secretary Dulles approved the text by phone from New York. The President subsequently agreed to the text of the letter and it was transmitted to Paris the following day. (Secretary's Letters, lot 56 D 459, "L")

[2] Dillon called the Department of State in order to relay Laniel's message by telephone on Sept. 16; he informed MacArthur that Laniel had decided that developments at home required that he not visit Washington at this time. (Memorandum by Walter K. Scott, Sept. 16, 1953; 033.5111/9-1653)

four years since the first Bundestag elections, the forces of democracy and common sense have grown considerably in strength, and the new voters have overwhelmingly supported the center forces dedicated to European cooperation, and rejected the extremes of right and left. It is our responsibility both to develop this situation for the common good and to strengthen it further. Therefore, it is most urgent that in all our relations with Germany we be guided by a new spirit of friendship and trust and that the last vestige of a spirit of occupation disappear.

We are not blind to history, and we know the difficulties this presents for the French people. But, we also know that the spectre of a Germany rapidly increasing its strength outside the ties of Western European unity would cause France even greater concern. Hence, we are confident that the leaders of France will not miss this historic opportunity for a Franco-German *rapprochement* which now offers itself, but which will certainly fade away if not seized resolutely and promptly.

Finally, Mr. President, I want to wish for you the utmost success in your approach toward the solution of France's problems and the realization of the common aims of the Western nations, an approach which to me reflects statesmanship and courage in the highest degree and is in keeping with France's traditions as a world leader.

Sincerely,

DWIGHT D. EISENHOWER

No. 616

751.00/10-1253

Memorandum for the Record [1]

TOP SECRET [PARIS, October 6, 1953.]

Subject: September 28 Meetings with M. Pleven

1. Two meetings were held with M. René Pleven, French Minister of National Defense on September 28. At the first, held at 18:15 at M. Pleven's office, the following were present:

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[1] This memorandum, presumably drafted by Godley, was transmitted to the Department of State as an enclosure to a letter from Godley to Carpenter dated Oct. 6. Godley noted in his covering letter that these minutes were approved by Kyes who requested that they not be distributed throughout the services. Godley added that he felt Merchant, Bonbright, Knight, Fisher, and McBride should be shown these minutes. Godley concluded that everyone in Paris believed Kyes' visit had been most helpful.

US

C. Douglas Dillon, US Ambassador to France
Roger M. Kyes, Deputy Secretary of Defense
Frank C. Nash, Asst. Secretary of Defense (ISA)
G. M. Godley, First Secretary, Paris Embassy
J. M. Wilson, Jr., Defense Advisor, Paris Embassy

French

René Pleven, Minister of National Defense
Jean Mons, Permanent Secretary, Ministry of National Defense
Admiral Cabanier, Deputy Permanent Secretary, Ministry of National Defense François Leduc, Chief, Central Liaison Mission for Assistance to the Allied Armies
M. Nacivet, OSP Expert, Interministerial Committee on European Economic Cooperation

The second meeting was at a dinner given by Ambassador Dillon attended by M. Pleven, Mr. Kyes, Mr. Nash, Mr. Leduc and Mr. Godley.

2. Mr. Kyes opened the discussions by referring to M. Pleven's August letter to Secretary of Defense Wilson, written in reply to Mr. Wilson's letter of July 23. [2] He indicated that he was prepared to discuss these matters on behalf of the Secretary of Defense.

[Here follows discussion of the transfer of title to the United States Army cablehead at Nacqueville, problems in North Africa, and construction and procurement matters.]

8. *Annual Review and Military Aid Items*

A. Mr. Nash requested M. Pleven to use his personal influence in securing an early French reply to the outstanding Annual Review questionnaire as a matter of material help to the forthcoming December Ministerial meeting. M. Pleven indicated that he was faced with many difficulties in this connection and that he was personnally working on this problem every day. On the other hand, he had established certain targets, including the following: the Air Force should be increased by nine fighter squadrons; the Army would be maintained at 14 divisions and the Navy at its present level. This information would be made available in broad outline in a fortnight. He indicated his confidence that these targets would be reached, but stated that it would be most helpful if he could have some information from Mr. Nash as to the French share of the forthcoming United States offshore procurement program, especially contracts for military aircraft. Mr. Nash stated that in view of present US difficulties connected with providing additional aid for Indochina, it would be impossible at this time to give any sure indication of what items the United States might be in the market for

[2] Neither found in Department of State files.

or to indicate the magnitude of US assistance under the forthcoming program. He assured M. Pleven on the other hand that there would be a substantial offshore procurement program in Fiscal Year '54 in which the French would participate. He did not know, however, to what extent or what items would be included and could not give an answer at this time but would let M. Pleven know as soon as possible after his return to Washington. M. Pleven stated that he would need such information to meet his targets, especially so far as the Air Force was concerned.

B. During the dinner meeting, M. Pleven referred again to the forthcoming offshore procurement program, inquiring particularly if there would be more ships included for France. Mr. Nash said he thought this might be a difficulty. M. Pleven then commented on Mr. Latt's plan for the purchase of Hunter Hawker aircraft for Belgium and Holland last year, saying that this had "broken his heart" in that it did not foster the concept of arms standardization in EDC countries. He said he had no objection to purchasing them for non-EDC countries of NATO and indicated that, had it been generally agreed, he would have been willing to produce Hunter Hawkers in France and not French designed aircraft. He expressed the hope that the United States Government would use the great weapon it has in OSP in arriving at arms standardization which is one of the objectives of the EDC.

C. Also during the dinner conversation Mr. Nash inquired as to French special weapons development and referred to the $50,000,000 special weapons fund that might be used to assist in research. M. Pleven said that he was very pleased with French research in the field of teleguided rockets and assumed that we shared this view because the US had ordered 1500 "SS10" rockets. He said an improved model, the SS11, had already been developed. He would send Mr. Nash a memorandum on this and other French special weapons projects through Ambassador Dillon.

D. During the dinner meeting M. Pleven stated that he was having to shut down four or five aircraft plants in France out of a total of about 15. He reported that French aircraft research and development was being concentrated in the field of fast light aircraft for fighter-interceptors which were capable of landing on small airfields, even on grass, thus permitting a wide dispersal and less obvious targets. Mr. Kyes commented that this appeared to be a wise move. M. Pleven went on to say that the French were now selling about 55 Ouragans to India and would be prepared to sell aircraft as well to Pakistan if that nation wanted them.

E. M. Pleven also described at length the current situation in which top graduates from the Ecole Polytechnique were still going into Naval Architecture to work for six or seven years in French

shipyards, moving on thereafter into private industry. He noted their special interest in aircraft carriers and submarines and commented at length on the interest shown in the recent record making dives in the Mediterranean.

9. During the dinner conversations M. Pleven indicated his personal views on several other questions. These are as follows:

A. M. Pleven described his practice in making a point every Sunday of giving a speech in his district. He indicated a great interest among his audience in the Federation of Europe and noted that in his speech last Sunday attended by a number of Belgians and French, at which he had spoken on the subject of EDC, the applause was greater than he had ever received. He stated that in his opinion EDC would be ratified within three months but not until after the presidential elections on December 15. He noted that there were many candidates for the presidency who did not wish personally to be placed out on a political limb prior to the elections. In this connection he commented that he himself was not a candidate but possibly M. Bidault was. Accordingly it might be very difficult to start the NATO meeting on the 15th of December since France is in the Chair. He compared this situation with that of Foreign Minister Kraft of Denmark at last April's NATO meeting. The earliest time for a meeting in his opinion would be December 17.

B. Mr. Nash referred to EDC as M. Pleven's "baby", and M. Pleven noted that some of his early adherents had faded away from him, notably Jules Moch. In answer to a specific question, he stated that France would go ahead with ratification even if no four power talks were held and in advance of action by Italy if necessary. Mr. Nash mentioned his discussions in Germany with particular reference to Ralstein's comments regarding the role of the young people in the Adenauer election and their enthusiasm for EDC. Pleven indicated additionally that he was sure that the Saar problem would be worked out soon and alluded also to the fact that the Russian Ambassador had called upon him recently and discussed the European Army for one hour and a half.

C. With regard to the situation in Trieste M. Pleven expressed a personal belief that the only solution lay in the direction of internationalization. He indicated additionally that there was now in France a good relationship with the Yugoslavs.

D. With regard to Indochina M. Pleven recommended General Navarre as a good man. He stated that much depends on whether or not Vietnamese troops can stand up under pressure. Mr. Kyes and Mr. Nash compared with this the US experience with ROK's in the first year in the war in Korea. M. Pleven indicated that if

these problems could be solved in Indochina all his problems with the French Army would be resolved.

E. M. Pleven referred to the visit of the Austrian President and said he was distressed with the apparent lack of resolution on the part of the Austrian leaders and their marked neutralistic tendencies. Ambassador Dillon said he had received similar reactions from other French officials who had seen the Austrians.

No. 617

Eisenhower Library, Eisenhower papers, Whitman file

President Laniel to President Eisenhower [1]

SECRET [PARIS, October ?, 1953.]

DEAR MR. PRESIDENT: I thank you for your letter of September 21 [*20*] [2] and for having so well understood and appreciated my reasons for deciding not to advance the early date of the visit I plan to make you in Washington.

In answer to your hopes for an early ratification by the French Parliament of the European Defense Community Treaty, I wish to confirm that that major decision is my chief concern.

My Government's commitment in that connection is binding. In fact, when I was inducted into office by the National Assembly, I stated that I would have the parliamentary debate held as soon as certainty of the settlement of the Saar question, the signature of the interpretative protocols, and definite statements of the closest possible association between Great Britain and the future European Defense Community were obtained.

I have just had the opportunity to affirm my Government's position publicly and to point out that we are approaching those conditions, of which the last British statements and the anticipated results of the forthcoming meeting between Chancellor Adenauer and President Bidault will, I confidently hope, mark the achievement.

Just as the political facts did not permit the French Government to neglect anything in regard to what were considered by public opinion indispensable guaranties, under penalty of a parliamentary

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[1] The source text and the original French text of this letter were forwarded to the White House under cover of a memorandum by Kitchen of Oct. 8. Kitchen's memorandum also indicated that a copy of the translation had been made available to the Embassy in Paris and that the Department of State did not feel that a reply from President Eisenhower was required. (Eisenhower Library, Eisenhower papers, Whitman file)

[2] Document 615.

defeat the consequences of which would have been disastrous and incalculable, so it will be our concern, once these guaranties are obtained, to do everything possible to hasten and facilitate the decision.

I firmly hope that the increased freedom of action and authority that the results of the German elections have given the Chancellor of the Federal Republic of Germany as regards its public opinion and its Parliament, will enable him to devote all the understanding necessary to the satisfactory solutions which, I am certain, he sincerely desires to see obtained.

Nor is this good will lacking on the part of France, and I am persuaded that, if it is put at the service of a reconciliation and an understanding which must be the very foundation of the European edifice to which we are dedicated, it will render possible the development of mutual trust and the success of the work of peace which is our sole aim and our supreme hope.

Please accept [etc.]

P. LANIEL

No. 618

751.00/10-253

Memorandum of Conversation, by the Acting Director of the Office of Western European Affairs (Knight)

SECRET WASHINGTON, October 2, 1953.

Subject: Conversation with Ex-Prime Minister Pinay [1]

Participants: The Secretary
Mr. Antoine Pinay, Ex-Prime Minister of France
Ambassador Bonnet, French Embassy
Mr. Ridgway B. Knight, WE

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[1] According to despatch 2593 from Paris, May 22, Pinay met with Ambassador Dillon on May 21 to discuss a possible visit to the United States as a guest of the Chamber of Commerce. Because of his role as an important factor in the EDC ratification debates, Dillon recommended that the President and Secretary of State agree to arrange a meeting with him when he visited Washington. (033.5111/5-2253) According to telegram 5906 to Paris, June 8, Secretary Dulles agreed to meet with him and to arrange meetings with President Eisenhower and Secretary of the Treasury Humphrey. (033.5111/6-853) Pinay left Paris on Sept. 21 for a week-long visit to Canada, followed by a 2-week tour of the United States. Pinay, accompanied by French Ambassador Bonnet, met with President Eisenhower at 10 a. m. on Oct. 3 in the White House, but no record of this conversation has been found in Department of State files. (Eisenhower Library, Eisenhower records, "Daily Appointments")

After the usual amenities Mr. Pinay proceeded to outline the basic situation of France today in very much the same terms as he had used previously with Mr. Merchant. [2]

The Secretary expressed his deep understanding and sympathy for difficulties facing the French people and proceeded to develop the importance which he placed on European unity. In this connection he stressed the importance which the United States places on the leadership of France which has shown so much political imagination in the past. When France displays this leadership she can count on the full support of the United States. It is to France and not to Germany that the United States looks to exert leadership in the European movement.

The Secretary apologized for speaking about French affairs as he was about to do and stressed that if he did so it was because he was an old and tried friend of France who had spent much time in France over a considerable period. Referring to the great economic and reconstruction effort which France has made between the two world wars, he commented that the French Governments of the period had failed in one respect: to seize the opportunity which offered itself when moderate German Governments were in power. It was only after Chancellor Bruening fell and was replaced by Hitler that France started making concessions. As a consequence the Germans became confirmed in the thought that it was only by pounding the table that concessions could be obtained from France. Had France made to Bruening only a portion of the concessions which she later made to Hitler, in all probability there never would have been a Hitler. While he realized all the historical and other difficulties in France's path he ventured to hope that this mistake would not be repeated and that France would resolutely seize the opportunity which is now offered by the situation existing in Germany since the last elections. The Secretary said that he knew Chancellor Adenauer well and that he was sure that the latter was not a nationalist but essentially a European whose great desire is a reconciliation wth France. The Secretary concluded by saying that if this opportunity were lost perhaps we would thereby lose the last chance to raise Europe above her divisions and thus preserve the supremacy of European culture, institutions, and moral values.

Mr. Pinay expressed complete agreement with the Secretary and assured him that he was devoting his efforts to achieving these very objectives. He did point out, however, the many historical as well as economic reasons which in France impeded the movement toward European unity. Mr. Pinay stressed the essential need for

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[2] A memorandum of the conversation between Pinay and Merchant, which took place at the Department of State on Oct. 1, is in file 751.00/10–153.

increasing the standard of living of the average Frenchman and expressed the hope that the West would not limit itself to developing a defense organization but would also organize its economy so as to be able to support the defense structure with greater ease. He concluded by saying that he belonged to those Frenchmen who preferred to earn dollars rather than receive them as gifts from a generous United States.

No. 619

751.00/10-953: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PARIS, October 9, 1953—4 p. m.

1413. After a dinner which I gave for Laniel last night, I had a long private talk with him. The following points seemed of interest:

1. EDC—Laniel is definitely in favor of bringing EDC to a vote promptly after the presidential election, rather than at an earlier date. He states that he is making real progress with URAS and is very much encouraged. He says the EDC campaign will continually gather momentum. He expects some Socialist support when EDC comes to a vote but, nevertheless, believes it important to seek maximum URAS and ARS support. He said his greatest difficulty and danger now comes from Teitgen, who wants to do everything at once. Laniel feels that French are not yet ready to go anywhere near as far as Teitgen wishes to go toward merging their country fully with Germany, and that the Teitgen policy risks bringing on a strong emotional reaction that could cause everything to fail. Therefore, he will continue to attempt to moderate Teitgen's attitude.

In talking of the necessity of reaching agreement with Germany prior to the vote on EDC, Laniel twice repeated that the time had come when he personally should sit down and talk with Adenauer. This is the first time he has mentioned any such project to me. He has always previously said such negotiations would be Bidault's job. He was not clear as to just how he intended or wished to bring about the meeting with Adenauer.

2. Five-power talks—Laniel said there is no truth in the press stories that the Cabinet had decided to push for five-power talks. He recognized that this was a political impossibility in the US at the moment, and, in any event, he agreed that any such talks should only come after the Korean political conference. He said the press stories were deliberate leaks from members of his Cabinet at-

tempting to stir up public opinion. He indicated that he believed the responsibility for these leaks rested with Faure.

3. Political situation—Laniel expressed reasonable confidence in the future of his government and said his greatest difficulties at the moment were coming from the radical Socialist Party which was obviously anxious to regain the Prime Ministry. He particularly mentioned Martinaud Deplat in this connection.

4. Presidential election—It is very clear that Laniel personally is a full-fledged candidate for the presidency of the Republic. He talked at some length about the great importance of the position which was not generally recognized by the public. When I asked him who would name the new Prime Minister in case the Prime Minister should be elected to the presidency, he said that, of course, the incoming President of the Republic would have that opportunity.

5. Laniel continues to be definitely desirous of making a trip to Washington prior to the presidential elections. He said that he would be able to have a clearer idea of the possible dates in two or three weeks when his political relationships with the Assembly would be clearer.

DILLON

No. 620

Editorial Note

The Foreign Ministers of the United States, France, and the United Kingdom met in London from October 16 through October 18 to discuss a proposal for a Four-Power meeting with the Soviet Union. Concerning these talks, as well as bilateral talks between the United States and French officials on other issues such as Indochina and EDC, see the editorial note, volume V, Part 2, page 1709.

No. 621

EUR files, lot 59 D 233, "Letters—France, July–Dec. 1953"

The Assistant Secretary of State for European Affairs (Merchant) to the Ambassador in France (Dillon)

SECRET PERSONAL [WASHINGTON,] October 28, 1953.

DEAR DOUG: I am writing not just to share our worries concerning the everlasting delays in French ratification of EDC but to give you my own personal opinion that we are going to face an almost

unmanageable situation if by mid-January when Congress will have returned at least one of the French Parliamentary bodies has not ratified. I sense a growing public and Congressional exasperation over the delays in EDC coming into force and in particular with France for the major responsibility in this matter which is generally assigned to her. If the EDC is not clearly and demonstrably in the bag before March 1, by which date I think we can expect any foreign aid program to have gone up to Congress, I personally believe we will have reached the point of no return as far as continued aid to France is concerned.

I am writing this not in any belief that you are not keenly aware of the urgency of the situation. I know you are and I appreciate that you are working twenty-four hours a day to improve it and in a most effective fashion at that. However I did want to share with you my growing apprehension over developing public and Congressional attitudes. [1]

Sincerely,

LIVINGSTON T. MERCHANT

[1] In his Nov. 5 reply to Merchant's letter, Dillon noted that the French had the U.S. Congressional situation well in mind but that he and his staff would continue to remind them of it. (EUR files, lot 59 D 233, "Letters—France, July-Dec. 1953")

No. 622

INR-NIE files

National Intelligence Estimate [1]

SECRET

WASHINGTON, November 24, 1953.

NIE 63/1

PROBABLE SHORT-TERM DEVELOPMENTS IN FRENCH POLICY [2]

THE PROBLEM

To estimate probable French domestic developments and foreign policies over the next 18 months. *

[1] National Intelligence Estimates (NIEs) were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the Central Intelligence Agency (CIA), approved by IAC, and circulated under the aegis of the CIA to the President, appropriate officers of cabinet level, and the National Security Council. The Department of State provided all political and some economic sections of NIEs.

[2] According to a note on the cover sheet, "The Intelligence Advisory Committee concurred in this estimate on 24 November 1953. The FBI abstained, the subject

Continued

CONCLUSIONS

1. France, which is overextended in attempting to meet its internal and external commitments, will remain one of the problem areas of the Western coalition. However, no critical deterioration of the French situation is likely during the period of this estimate except possibly with respect to Indochina. On the other hand there is virtually no prospect of an early "revitalization" of France. Such a revitalization would require fundamental changes in French institutions and attitudes which, if realized, probably could not become really effective during the period of this estimate.

2. Right-center governments are still likely to predominate. The chances for a left-center government coming to power are still less than even. In any case no French government likely to come to power in the next 18 months will be able to achieve both economic growth and financial stability.

3. The next six months or so will probably be decisive for EDC. We believe that French failure to ratify EDC within this period would mean the virtual abandonment of the present treaty. However, we believe that France will ratify EDC within this period if (a) France's remaining conditions, especially on the Saar, are largely satisfied; (b) it remains convinced no fruitful discussions with the Bloc on Germany are likely; and (c) it is under continued pressure from its allies to ratify. †

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being outside of its jurisdiction. The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff."

* Long-term developments in France are covered in NIE-63, "France's Probable Future Role in the Western Security System," 23 January 1953, the conclusions of which remain largely valid. The present estimate supplements NIE-63 and concentrates on probable short-term domestic and foreign policy developments, particularly in the light of developments since the publication of NIE-63. [Footnote in the source text. A copy of NIE-63 is in INR-NIE files.]

† The Assistant Chief of Staff, G-2, Department of the Army, and the Director of Intelligence, US Air Force, would have this paragraph read as follows: "The next six months or so will probably be decisive for EDC. We believe that French failure to ratify EDC within this period would mean the virtual abandonment of the present treaty. Since France is fundamentally opposed to German rearmament and is more apprehensive of the threat of a resurgent Germany than of Soviet Communist aggression, French ratification of EDC continues to be conjectural. Even though France's present remaining conditions including a favorable settlement of the Saar question are satisfied, French ratification cannot be assured unless: (a) France is under continued powerful pressure from her Allies to ratify, and (b) France is convinced no fruitful discussions with the Bloc on Germany are likely." [Footnote in the source text.]

4. However, certain types of allied pressure might delay rather than hasten ratification. For example, although we believe that any alternative method of permitting West German rearmament is more unpalatable to the French than EDC, if one of these alternatives were formally proposed by the US or the UK, the French might seize upon the allied proposal as a pretext for lengthy discussions which would further delay West German rearmament.

5. French ratification of EDC would remove the chief obstacle to its implementation, though France would still seek to limit any German military buildup and to prevent the emergence of West Germany as the dominant Western European power.

6. On the other hand, if France failed to ratify EDC, it would probably seek to gloss over failure to ratify by expressing willingness to discuss West German rearmament in association with NATO. Such negotiations would almost certainly prove long and difficult, with France insisting on detailed safeguards at least as effective as those contained in EDC, thus incurring the grave risk inherent in the prolonged delay in the realization of a German military contribution to the defense of Western Europe. In these circumstances, the cohesion and effectiveness of NATO itself would be endangered.

7. In Indochina, we believe that even if the Laniel-Navarre Plan is successful the French do not expect to achieve a complete military victory in Indochina and probably aim only at improving their position sufficiently to negotiate a political settlement.

8. If no negotiations take place within the next 18 months, France would probably continue its effort in Indochina, *provided that:* (a) the US assumed virtually the total financial burdens of the war; (b) the planned buildup of Vietnam forces permitted reduction of French forces; (c) the Indochina states remained in the French Union; and (d) France continued to receive US support for its position in Europe and North Africa.

9. If the above French conditions were not largely satisfied France would probably propose UN intervention or direct military participation by the US. Failing in this, France would probably seek in time to negotiate directly with the Communists for terms which would permit withdrawal with minimal loss.

10. In contrast, we believe that France is determined to retain control, by force if necessary, over French North Africa. It will

probably make some concessions toward local autonomy, but these almost certainly will not satisfy the local nationalists. Nevertheless, French security capabilities probably will forestall the development of any serious threat to French control during the period of this estimate. However, widening differences between France on the one hand, and the North African Nationalists supported by the Arab-Asian countries on the other, will throw increasing strains on US relations with both sides.

[Here follow a six-page discussion which provided background information and a full-page chart of the alignments of the political parties in the French National Assembly as of October 9, 1953.]

No. 623

Editorial Note

The Heads of Government of the United States, France, and the United Kingdom, accompanied by their Foreign Ministers and other advisers, met in Bermuda, December 4–8, 1953, for a series of meetings dealing with problems of mutual concern. For documentation on these meetings, see volume V, Part 2, pages 1710 ff.

Following the Bermuda meetings, President Eisenhower sent messages to President Laniel and Foreign Minister Bidault on December 9. In his message to Bidault, President Eisenhower expressed his appreciation for Bidault's contributions to the discussions. President Eisenhower's message to President Laniel stated his regret that Laniel's illness had prevented him from participating in some of the meetings and wished him a rapid recovery. (Secretary's Letters, lot 56 D 459, "B–C" and "L")

No. 624

751.00/12–1953: Telegram

The Chargé in France (Achilles) [1] *to the Department of State* [2]

SECRET PARIS, December 19, 1953—2 p. m.

2352. Presidential election [3] has captured spotlight which Secretary's December 14 statement on EDC [4] had held for several days but latter nevertheless remains major topic of interest. EDC has itself played major role in election although welter of political cross-currents and usual attempts of Laniel and others to conciliate everybody make outcome as indecisive a test of EDC prospects as was the Assembly debate.

Reaction of press, members of Parliament and private individuals to Secretary's statement has been both emotional and largely determined by their already held views. Opponents, who control most of press, raised uproar with primary emphasis on US pressure. Many friends of US have expressed concern at violence of reaction but most of them, although differing as to timing and manner, agree as to need of some such clear warning. Proponents have on the whole walked softly, waiting for initial clamor to subside.

While nearly everything Secretary said had been said before, extent of reaction proved clearly that realities of US situation had not previously been recognized even by French parliamentary leaders, let alone public. His statement has made these realities sharply clear and very violence of reaction stimulated by opponents has driven his points home more widely and effectively than could have been achieved by any milder approach.

Curve of ratification prospects has dropped sharply since November foreign affairs debate, and it is not yet possible to say whether trend has been reversed. In any event, no decision can be expected until after government has been formed (with EDC again playing an important role in a murky situation) and Soviet intentions have been clearly revealed at four-power conference or by refusal to attend. While Secretary's statement increased fears of US adoption of peripheral strategy, it reduced fears of direct US-German under-

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[1] Due to illness, Ambassador Dillon left Paris on Nov. 16 and returned to New York where he was hospitalized for an extended period of time. He did not return to his post in Paris until Mar. 6, 1954. (Telegram 1888 from Paris, Nov. 13, 1953, and telegram 3041 from Paris, Mar. 5, 1954; 123 Dillon, Clarence Douglas)

[2] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[3] See the editorial note, *infra*.

[4] Regarding Secretary Dulles' statement before the North Atlantic Council on Dec. 14, see telegram Secto 4, Dec. 15, vol. v, Part 1, pp. 458.

standing and punctured much wishful thinking that US would continue to support France even if latter reverted to nationalism, sought reinsurance through more independently friendly relations with Russia or continued to evade decision. Effects of this new awareness of realities should long outlast initial emotional reactions.

ACHILLES

No. 625

Editorial Note

After 7 days of balloting, the joint session of the French National Assembly and the Council of the Republic elected René Coty to be the new French President on December 23, 1953. Coty's election as the second President of France under the Fourth Republic took place on the 13th ballot. According to Embassy officials, the deadlock in this election which caused so many ballots was another indication that the 7-year trend to the political right had come to a halt and was possibly being reversed. In telegram 2371 from Paris, December 22, Embassy officials concluded that the "spectacle of confusion and impotence offered by Versailles Congress is widely considered as one of national humiliation and as involving serious weakening of democratic fiber of the country." (751.00/12-2253)

Upon the recommendation of the Department of State, President Eisenhower sent a message of congratulations to President Coty on December 23. (Memorandum for the President, December 23; Secretary's Letters, lot 56 D 459, "Memoranda for the President, June–Dec. 1953") For the text of this message, see Department of State *Bulletin*, January 11, 1954, page 47. Reports concerning the election of Coty, including brief biographical sketches, are in file 751.00. According to telegram 2404 from Paris, December 24, Coty's position on the controversial issues was unclear because of his absence from the recent debates concerning Indochina and other foreign affairs issues due to illness. It appeared, however, that he was pro-European and definitely pro-EDC. (751.521/12-2453)

No. 626

Editorial Note

The Foreign Ministers of the United States, France, the United Kingdom, and the Soviet Union held a Four-Power Conference in Berlin beginning January 25 through February 18. For extensive

documentation on the Berlin Conference, including bilateral meetings between French and United States officials, see volume VII, Part 1, pages 601 ff.

No. 627

Eisenhower Library, C. D. Jackson papers

Memorandum by the Special Assistant to the President (Jackson) [1]

SECRET [BERLIN,] February 6, 1954.

France and EDC

In the hectic daily give and take of preparing for Conference meetings, rolling with the punches during the meetings themselves, working at night to prepare for the next day, it is difficult to pause for perspective.

Mr. Molotov's extraordinarily frank toughness during the last 72 hours with respect to German unification and free elections have actually furnished us, at the end of two Conference weeks, with our first real pause and it is now possible for me, at least, to try to sort out a few ideas.

I have chosen as top priority "France and EDC".

I believe that we have been given a most powerful assist by Mr. Molotov in our problem of persuading France that she should get going on EDC. At the same time, I believe that the ingredients of the Molotov assist, scattered as they are through several Conference sessions, may not be immediately apparent to the French. It will, therefore, be necessary for us to sort them out and make them apparent. If we handle ourselves with intelligence and energy we may be able to do more within the next few weeks regarding EDC than has been possible in the past several months for the simple reason that this time it is not America telling France but Mr. Molotov telling her. If you subscribe to the thesis outlined below I think these should be turned over to OCB for well-orchestrated followup action.

Out of the thousands of words spoken by Mr. Molotov in the past two weeks four statements are of particular significance.

1. "The Soviet Delegation realizes that parliamentarism and all the aspects of it was an advantage for the previous age. . . . [2]

"The conclusion to be drawn from that is that the parliamentary system cannot guarantee us against new events arising, which

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[1] Jackson was a member of the U.S. Delegation to the Berlin Conference.

[2] The ellipses in the quoted portions appear in the source text.

have arisen in the past and which led to the second World War." (Feb. 5)

2. ". . . we are prepared to do everything possible to secure friendship between France and Germany, between France and the Soviet Union and also between the three of them as three great powers of Europe—between France, Germany and the Soviet Union.

"Of course, it is a difficult task to secure firm friendship between these main principal continental powers—France, Germany and the Soviet Union—but it is a noble task and a task worthwhile trying." (Jan. 26)

3. "In order to prevent pressure being put during elections by the Occupation Authorities, it necessary to carry out the withdrawal of occupation forces from the Territory of Eastern and Western Germany before elections." (Feb. 4)

4. "Germany shall be banned from entering into any coalition or military alliance directed against any Power whose armed forces took part in the war against Germany." (Soviet draft proposal for Peace Treaty with Germany)

What was Molotov conveying by his statement on parliamentarism. He was saying that as far as free elections and unification of Germany were concerned, the only way this could be brought about was through the operation of Soviet type elections.

Futhermore, his statements all through the second week of negotiation indicate that the only kind of united Germany acceptable to Molotov would be one governed by a group of men "elected" under the Soviet system. On this point there is no give at all in the Soviet position.

Therefore, what he is saying with virtually no double talk is that the only kind of united Germany, which the Soviets could consider, would be a united Sovietized Germany. Thus, creating a solid Soviet bloc from Vladivostok to the Rhine—where it meets France.

The implications of statement no. 2 are even more sinister as far as France is concerned.

What Mr. Molotov is saying "Europe for the Continental Europeans" and since there are only three great powers on the Continent, Russia, Germany and France, the three should get together and should forget the US and UK. But the alliance proposed by the Soviets is not an alliance between equals or even near equals. Taken in conjunction with his first quotation, the alliance proposed is between France and a Sovietized Germany, an integrated part of the USSR bloc, militarily, economically, and politically.

If that were to come about there would be little use in France looking over her shoulder for help. Her neighbors would be Italy, Spain, the Low Countries, and the English Channel. In no time at all France also would be Sovietized. What help we could give would have to be mostly US based because North Africa would have gone

down the drain in the process, and England would probably be too close even if the British consented to our remaining as a source of provocation to the Soviets.

Quotation 3 ties in directly with quotation 1. In order to make absolutely sure that nothing would upset their plans for the Sovietization of Germany in the event of all German elections, foreign troops must be withdrawn. Of course, the Russians withdraw either to Poland or conceivably to Russia itself—no more than a stone's throw in modern military terms.

The US would have to withdraw, in large part, to the US, as there would be no other accommodation for these troops.

This troop withdrawal would leave some 250,000 armed men plus in the Russian Zone of Germany, whereas in Western Germany there are only 150,000 police and no para-military formations. So the matter of who would be able to impose force in the supervision of the elections is quite evident.

Finally, Germany is to be forbidden forever to make an alliance with the West. Of course, she would not have to make an alliance with the East since she would be completely Sovietized thereby solving that problem.

Thus, we have as clear a picture of Soviet European intentions, in Soviet words, as we have ever had since the Cold War began—a united Sovietized Germany, part of the Soviet bloc which reaches all the way to the Pacific—forbidden to be part of any Western defense system, a neighbor of France whose allies, the US and UK, have had to remove most of their armed forces from the Continent leaving France utterly defenseless in the combined German, USSR embrace, an embrace which would inevitably include military and economic pressure as well as political pressure.

It seems to me that even to "LeMonde" this should be a Q.E.D. proposition with only one alternative to France for survival. The use of the word survival is deliberate because Mr. Molotov's words these last two weeks have cut through all the neutralist theorizing and the imaginary neutralist choices. He has put the proposition in such a way that for France we are indeed talking about survival.

The only alternative is EDC, including West Germany and quickly.

The Soviets, both publicly and privately, have given every indication that EDC, including West Germany, would be the kind of defense grouping they would respect.

If France wants to avoid annihilation or World War III, the answer both in terms of French logic and in terms of French emotions, is EDC.

If we subscribe to this presentation of the case, it will be necessary as quickly as possible to start getting this idea into the minds of the French at many levels.

. . . . . .

We have talked about this kind of activity in France for months, and have done very little, largely because we did not have a theme that was new and gripping. We have it now, out of Molotov's mouth.

I feel that this is so important and so apparent that a small OCB task force of high caliber should be put to work immediately to solve this problem.

It will have to operate on a crash basis because there are probably not more that 30 to 60 days in which to achieve success.

The US has been accused of rigidity in its stand over the past year, "EDC or else". Thank goodness we were rigid because the events of Berlin now permit Frenchmen patriotically to speak the same phrase.

No. 628

DMS files, lot W–1444, "France"

The Director of the Foreign Operations Administration Mission in France (Labouisse) to the Assistant Secretary of State for European Affairs (Merchant), at Berlin [1]

SECRET PARIS, February 9, 1954.

DEAR LIVIE: I know that you have more than enough to do than to be bothered with the attached "personal appraisal" which I have sent to Mr. Stassen covering FOA programs, etc., during the last half of 1953. [2] However, the parts on Indo-China (Section II–2) and on the General Economic Situation (Section III) may be of possible interest in connection with some of your talks with the French.

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[1] Labouisse sent a copy of this letter to Harold E. Stassen with a covering letter dated Feb. 9. In his letter to Stassen, Labouisse noted that the reason he was sending this letter and the enclosed report to Merchant in Berlin was because discussions were taking place during the Berlin Conference concerning Far Eastern questions and he wanted to draw the delegation's attention to two points which seemed important to him. (DMS files, lot W–1444, "France")

Labouisse also sent a copy of his report to Bonbright on Feb. 9 suggesting that it be circulated to the officers dealing with French affairs. (EUR files, lot 59 D 233, "Letters—France, Jan.–June 1954")

[2] This detailed 19-page report, dated Jan. 29, concerned Labouisse's personal evaluation of the progress of FOA programs in France during the last half of 1953 as well as his observations on the general economic and political situation in France.

I won't take your time to labor the points now, but I do want to stress two things which I consider important, particularly if we are contemplating further commitments of assistance to the French. I do not know what is contemplated on this score, but I understand that the Secretary asked for a copy of the September 29th agreement. [3]

First, I believe that there is a serious question as to whether the French will be able, in fact, to continue much longer this far-off war. Although the government is on record to us as intending to do so, there are important forces—some within the government—who do not have their hearts in this conflict. In my opinion, there are increasing pressures to find a way out short of "breaking up and destroying the regular enemy forces", as the goal of the Navarre plan was characterized in the September 29th agreement. Therefore, it has become even more apparent than it was last summer that more and more responsibility for the war against the Viet Minh will be placed on the U.S. It appears to me quite probable that success or failure will depend not just on financial and material aid from the U.S., but on U.S. participation as well. In making decisions as to further U.S. aid, or generally to U.S. policies re Indo-China, I feel that we should have these factors in mind.

Second, if we are to give France more financial assistance—this year or next—I believe some very serious talks should first be had with top French officials concerning the use to which the dollars will be put after they serve their purpose of budgetary support through the purchase of French francs. What I have in mind is that the French should be utilizing this wind-fall of dollars to enable them to cushion financial and other adjustments so badly needed to put the French economy—and French morale—in a more healthy state. I realize that we do not have much bargaining capacity on this front, as the French know that our main bargaining position is to have them continue the war to a successful conclusion. Nevertheless, I hope that no commitment will be made to grant further funds without careful consideration on this point, and without some effort on our part to influence the direction of French action.

Incidentally, if there is any talk of additional financial aid for

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[3] Reference is to the U.S.-French agreement on supplementary aid for Indochina, embodied in letters exchanged by Ambassador Dillon and Foreign Minister Bidault at Paris on Sept. 29, 1953; for the texts of these letters, see vol. XIII, Part 1, p. 812.

the calendar year 1954, I think we should refuse it. I do not believe any more is needed.

My best to you,

Sincerely,

HARRY

No. 629

EUR files, lot 59 D 233, "Letters—France, Jan.—June 1954"

The Assistant Secretary of State for European Affairs (Merchant) to the Director of the Foreign Operations Administration Mission in France (Labouisse) [1]

SECRET [WASHINGTON,] March 3, 1954.

DEAR HARRY: I received in Berlin your letter of February 9, [2] enclosing a copy of your evaluation of FOA in France and the French situation. Your report will certainly serve as a benchmark for anyone concerned about France.

With regard to the future, I was particularly interested in Section III of the evaluation. I am not very sanguine about the possibilities of much real change in the economic way of life in France, much less our ability to influence the French to bring off any significant internal reforms. We are, however, legitimately interested and concerned about the French external accounts, and it would seem that this is the appropriate avenue for any possible approach to the French since it is the French dollar position that we have been underwriting over the past ten years.

We are all mindful of the serious consequences of any sudden termination of dollar aid to France should the present basis for aid no longer prevail. At the same time it is interesting to note that the French free gold and dollar holdings rose from just over $200 million at the beginning of October to almost $300 million early last month, after the end of year debt settlement and despite the fact that none of this year's aid had yet been paid out to the French. We realize that the French probably have to thank for this fact that free dollar imports (according to your Tousfo 448 [3]) have been exceedingly light during the past semester, and our military expenditures in the franc zone have continued to increase, although neither of these factors can be relied upon indefinitely.

In this connection, it seems to me that one of the most useful tasks you might consider undertaking now, as a means of forearm-

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[1] Drafted by Beigel. Although the source text was stamped "March 3, 1954," it also bore the handwritten notation that this letter was mailed on Mar. 9.

[2] *Supra.*

[3] Not printed. (FOA telegram files, lot W-130, "Paris Tousfo")

ing for the future, is a prognosis of the French dollar position over the next several years, in its major elements (such as the level of dollar exports and outlook for expansion into certain areas or in certain commodities, level of dollar imports with analysis of hard core commodity needs and sources, possible changes in invisible accounts, debt service situation, EPU cover requirements and whether an exchange rate adjustment would really help this situation, level of our military expenditures in France and Morocco based upon progress of US and NATO infrastructure programs and our troop strengths, and schedule of future receipts on regular OSP contracts which to date have been very low). We shall do what we can here to work out some projections along these lines, but would hope to be able to rely upon you for an authoritative analysis.

As always, I would appreciate any comments you might have on this suggestion and on any other steps you consider we might usefully take to deal with the French problem, whether in negotiating with the French or in becoming better informed about the dimensions of the French dollar problem over the next several years, and therefore better prepared to deal with it.

With best regards,

Sincerely,

LIVINGSTON T. MERCHANT

No. 630

611.00/4-354

Memorandum by the Special Assistant to the Secretary of State (Hanes) to the Secretary of State

TOP SECRET WASHINGTON, April 3, 1954.

Subject: Summary of Paris Cable 3623 [1]—distribution only to Secretary, General Smith, Murphy, MacArthur, Merchant.

In this cable Ambassador Dillon reaffirms his conclusion of last summer that French confidence in American leadership has continued to decline ever since the beginning of 1953. He states the time has come to supplement the routine Embassy despatches concerning the rising tide of French concern over "McCarthyism" with this summary.

He summarizes the opinion in 4 areas of public comment as follows:

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[1] This telegram informed the Department of State of Dillon's personal evaluation of the deterioration of American prestige in France which he noted after his return to France following 3 months of absence due to illness. (711.00/3-3154)

1. Paris Press

Until recently, friendly French press spoke of McCarthy as representing the lunatic fringe in America. These same papers are now saying that perhaps 50% of Americans favor McCarthy's ends and methods. "McCarthyism" is presently the No. 1 American story in the French press. Even the friendly press is using such headlines as "McCarthy Dominates American Political Scene—Prestige of Wisconsin Senator grows constantly before weakness of President of U.S.—Press now treats both men as equals". "Eisenhower—Another Hindenburg." Anti-American and neutralist press is playing the theme that Washington is "just as bad as Moscow." The communist propaganda is equating this specifically American phenomenon with the neo-Nazi threat.

2. French Government and Anti-Communist Action

The Embassy has had countless personal inquiries from French officials concerning the real strength of McCarthy in the U.S. and the prospects of the Administration being able to control him.

High placed government officials are saying that popular reaction to "McCarthyism" is making anti-communist measures increasingly difficult for the French Government to take.

3. Business Community

Many pro-American businessmen are stating they find it increasingly difficult to maintain and defend their pro-American sentiments before unfriendly criticisms; and other friendly businessmen are now saying they do not desire to go to the U.S. "even if I could get a visa" for fear of receiving rude criticism and perhaps being under suspicion. Some friendly Jewish businessmen are convinced that "McCarthyism" is fascism which will inevitably lead to anti-Semitism.

4. Friendly Intellectuals

The Ambassador cites several examples (which he states are typical and almost universal throughout France) of comments by leading friendly intellectuals, deploring and expressing the greatest fear of this phenomenon. "There is nothing new in McCarthyism except the fact that this time it is happening to you Americans." "President Eisenhower has gone down in estimation of many of my friends because he takes no action. Why doesn't he do something? Doesn't he realize what is happening? Doesn't he remember Italy and Germany?"

Conclusions:

1. The United States, since the war, has been the hope of non-communist Frenchmen as their ultimate protector against totalitarian communism from the East. To the extent that they have lost faith in us as the symbol of freedom and tolerance, Frenchmen tend to start looking elsewhere for the protection of their national security. "Elsewhere" is the east, which means a neutralist search for "re-insurance".

2. American prestige in France, and particularly in influential non-communist intellectual circles, has dropped to the lowest point

we can remember. To this extent, the Embassy's task of keeping France a strong, healthy and willing ally is increasingly difficult.

3. Despite this serious decline, French public opinion has not accepted and never will accept Senator McCarthy's apparent idea of America, but is eager to accept the lead of President Eisenhower's America. Our prestige in France is directly related to the success of the Administration in dealing with and defeating what are regarded in France as the forces of totalitarianism.

4. The French and French public opinion react instantly and enthusiastically to every evidence of "McCarthyism" being successfully countered, exposed and controlled in America.

JWH

No. 631

Editorial Note

On April 10, Secretary Dulles left Washington for a visit to London and Paris to discuss primarily matters relating to the Far East with representatives of the British and French Governments. For documentation concerning Dulles' meetings in London April 11–13, see Documents 435–437. For a record of MacArthur's conversation with President Laniel on the evening of April 13, see *infra*. For a summary of Secretary Dulles' talk with Laniel and Bidault on April 14, see Document 633. For documentation on the remaining talks in Paris concerning the Far East, see volume XIII, Part 1, pages 1327 ff.

No. 632

EUR files, lot 59 D 233, "Secy's Trip to Paris & London"

Memorandum of Conversation, by the Counselor of the Department of State (MacArthur) [1]

TOP SECRET [PARIS,] April 14, 1954.

At the request of Prime Minister Laniel I called on him privately last evening at 10:15 p. m. (he had sent word to me at the airport by M. Vidal, the Director of his Cabinet, that he would like to see me at the above-mentioned hour). We were alone except for Mme. Laniel, who sat quietly in another corner of the room.

[1] It was noted on this memorandum that this conversation took place at the President's private residence from 10:15 p. m. to midnight on Apr. 13.

After the usual exchange of amenities I said to M. Laniel that we were very glad to know that on Thursday, April 15, the French Cabinet would at last fix the date for the Assembly debate on the EDC. [2] M. Laniel immediately replied that the entire EDC situation was extremely difficult. The URAS and ARS were making great difficulties and he was apprehensive that a political crisis might ensue when the date for the debate was fixed by the government, and this crisis would involve the fall of the present government. If the present government fell, he did not see how it could be succeeded by any other government which would put the EDC through. He felt that if someone like Mendès-France formed a new government the situation with respect to both the EDC and Indochina would be virtually hopeless. Furthermore, to get a majority for EDC in the French Parliament he needed a few of the URAS and ARS votes, which he thought he could get if he maneuvered properly. Therefore, he was not certain that it would be wise tactically to insist on fixing the date for the debate on Thursday.

I said to M. Laniel that I had known Chaban-Delmas, the leader of the URAS group, for some 15 years. . . . I said that I did not believe that Chaban-Delmas and his friends would ever go along with EDC. They were opposed to it and their efforts to postpone the fixing of the Assembly debate was simply a maneuver to postpone any decision until such time as EDC was virtually down the drain. I thought that if the consideration for postponing the debate was the hope of bringing Chaban-Delmas and his friends along in support of EDC, it was unsound.

M. Laniel said that his position was very difficult and he did not wish to take steps which would involve the fall of the French Government prior to Geneva. [3] He was inclined to agree that most of the URAS and ARS would, in the final analysis, oppose the EDC but he still thought he could carry a few of them along with him.

I replied that I did not share his view. I said that the Secretary expected upon his return to the United States on Thursday, to be able to report to the President that M. Laniel and his government had finally set the date for the EDC debate. If this were not possible I thought that very grave consequences would ensue. I said that I would like to speak very frankly. In the past few weeks the United States had been approached by the United Kingdom, Germany, and the Benelux countries with a view to discussing alternative plans for the EDC which would ensure German association

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[2] For documentation concerning the efforts of the United States to convince France to establish a firm date for the National Assembly's debate on the EDC, see vol. v, Part 1, pp. 571 ff.

[3] For documentation concerning the Geneva Conference, Apr. 26–July 21, 1954, see volume xvi.

with the West, and participation in collective defense. These approaches had been made because there was a growing belief that France had lost the capacity to act or take any decisions which required courage. This incapacity to face up to reality was rapidly undermining France's position as one of the leading powers of the free world. Thus far we had not discussed alternatives and other courses of action with our U.K., German and Benelux friends. However, if the French Government could not even fix the date of the debate, M. Laniel should know that we would be obliged to go quietly ahead and work out alternative courses of action. We would not announce publicly that we were doing this, since the French would construe any such announcement as a threat or blackmail. However, he should have no illusions. If France, by its inability to act, forced us to leave her behind, we would go on with the other nations which wished to survive. If the French Government did not fix the date of the debate on Thursday, I felt that we would soon have to begin to explore other courses of action to which we had given a great deal of thought and for which we had some plans.

I said that the countries that were joined together in the collective enterprise of making Europe were like a group of mountain climbers who were roped together. They had left the last resting camp and were attacking the peak. The peak or summit as we saw it was our very survival. Halfway between the last camp and the peak one member of the group, France, suddenly refused to go forward or backward. It simply wished to camp on a ledge and remain there until it perished. It apparently not only wished to remain there alone, but wished the other members of the party to remain there and perish with it. The United States, as one member of the group, was not prepared to die simply because France wished to commit what amounted to suicide. Furthermore, we did not believe that the other members of the team who were roped together in this enterprise wished to perish because of lack of collective action. Therefore, the time had come when, if France would not budge, the rest of us must cut the rope and leave her on the ledge.

In conclusion, I said I had one final observation to make about all this. M. Laniel and I were very old friends. We had worked together in the Resistance. I knew his courage and his devotion to the cause of Franco-American understanding. To me it would be infinitely sad if he were Prime Minister presiding over a French government which, by its inaction, deliberately separated France from the United States and other Western Allies and who would be responsible for France losing its position as a leader of the free world and becoming in effect another Belgium.

M. Laniel said he recognized that the rest of the world could not wait indefinitely on France. However, his problems were very

great. The constitution and the electoral law had resulted in a situation where it was impossible to govern France under the existing system. He wished to make clear that he had not taken a decision not to fix the date of the Assembly debate on Thursday, but it was all very complicated.

[Here follows discussion of matters relating to Indochina; for text, see volume XIII, Part 1, page 1327.]

No. 633

PPS files, lot 65 D 101, "France"

Memorandum of Conversation [1]

TOP SECRET
LIMITED DISTRIBUTION

[PARIS,] April 14, 1954.

Present: The Secretary, Ambassador Dillon, Mr. Douglas MacArthur II, Lt. Col. Walters, President Laniel, Foreign Minister Bidault

After exchanging the usual amenities and after some talk concerning previous conversations which the Secretary had had on this visit in Paris, the Secretary said that he had talked with the British in London and felt that they had moved in considerable measure towards the position of France and the US. Mr. Laniel commented that this must have been difficult indeed. The Secretary said that he had the text of Mr. Eden's statement in the Commons today, which he understood had not been too well received by the opposition. The Secretary then said that the question of EDC was a vital one for the US. Events were taking place and things were happening for a country like the US, it was extremely difficult on one hand to stand still with France and on the other to go forward with the other nations. Both the President and the Foreign Minister said they could understand this difficulty, and Mr. Bidault said that it arose in France from the nature of the majority.

The Secretary said that he was very happy to learn that President Laniel had the intention of making public on the following day the date of the opening of the debate on EDC. The President said that this was so, and that he had been waiting for the appropriate moment to do this, as the risks were great. However, now the Government was going ahead and face these risks. The Secre-

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[1] Presumably drafted by MacArthur. It was noted on this memorandum that the conversation took place in President Laniel's office at 5:30 p. m. on Apr. 14.

tary said that it was our intention to issue the US declaration after the French Government had fixed the date for the EDC debate. He believed we could make public our declaration about 36 hours after the date of the debate was fixed. [2] He felt that this, in conjunction with the official British paper and the statement that Mr. Eden was making in the Commons today, [3] would have a very beneficial effect on French opinion. The Secretary then said that he felt that it was important that the French Government demonstrate its capacity to act, as there was no weakness greater than indecision. The President said that there had never been any indecision on his part, that his mind had been made up from the beginning, but that he had been awaiting the most opportune time to present this very difficult problem. The Secretary then said that he felt that when the Deputies realized the strength of the position which France would occupy within the EDC with the support and assistance of the UK and the US, they would realize that this would be far stronger than anything that might be envisaged under any possible alternative scheme.

Mr. Bidault then said that Mr. Laniel was a block of Norman granite on this subject. There was a jocular exchange at this point between Mr. Laniel who maintained that granite was found only in Brittany and not in Normandy, and Bidault who maintained that there was granite in Southern Normandy which he knew, having been a candidate for Parliament from a district there. Mr. Bidault then went on to say that under Mr. Laniel's direction there would be nothing lacking in the political skill which was important and which [was] Mr. Laniel's department as was courage. He also said that the Government would do all that had to be done. Mr. Laniel had shown his courage in removing a man who had not wished to be removed from his position. He had been compelled to remove Marshal Juin, difficult though this was in a country as divided as France, because this would show that no man was above the law. [4]

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[2] This is a reference to the "U.S. Assurances Concerning EDC", a declaration issued by President Eisenhower on Apr. 16; for the text of this declaration, see Department of State *Bulletin*, Apr. 26, 1954, pp. 619–620.

[3] For documentation concerning the British paper under reference, which dealt with the question of British association with the EDC, and Eden's statement in the House of Commons about the association agreement, see vol. v, Part 1, pp. 571 ff.

[4] Following Marshal Juin's speech at Auxerre on Mar. 27, 1954, during which he declared that the additional protocols to the EDC Treaty were insufficient and that an alternative solution was needed, the French Government divested him of his functions as permanent military adviser to the government and as military vice-president of the Superior Council of the French Armed Forces on Apr. 1. The reason cited for removing Juin was his failure to respect the provisions of a decree of June 6, 1939, requiring all senior officers to submit public speeches to the Prime Minister before they were delivered.

A "band of intriguers, imbeciles and men blinded with ambition" had seized upon this event to exploit it for political ends. There were always people avid to "inherit power and control of government."

The Secretary then said that if this matter did not go forward and the ancient bonds that united France with the United States and other Western Powers were changed, the man who would aspire to the office of President of the Council of Ministers or Minister of Foreign Affairs in France would have a task which he would not envy and which would be virtually impossible.

The Secretary then said that he felt that there could be no more unfortunate position for a free nation today than to stand alone and apart from the others. He himself had constantly repeated to the American people and to Congress that we ourselves were not strong enough to stand alone, and he felt that this was in a greater measure true for France. Both President Laniel and Mr. Bidault said they shared completely this view. The Secretary said that he felt that much more was at stake here than the signature and ratification of a treaty. It was a concept of the fraternity of nations—whether we could live with such a concept or whether losing our illusions each one turned in upon himself. He feared that if France were to choose to stand alone, the weight of public opinion in America would move towards isolationism, and as he had stated previously, he did not believe that we could live in security in isolationism. Therefore what he sought of France was something more than what was needed to save France, it was also something France could do to help save the free world including the United States.

The Secretary said that he did not in any degree minimize the difficulties of this task, the complexity of the problem, and the degree of courage required to deal with it. While he probably did not comprehend the whole problem in France, he did feel he had some appreciation of it.

[Here follows a discussion of matters relating to Indochina; for the text, see volume XIII, Part 1, page 1336.]

No. 634

Editorial Note

On April 22, Secretary Dulles arrived in Paris for a meeting of the North Atlantic Council scheduled for April 23–24. Regarding this meeting, see volume V, Part 1, pages 508 ff. Dulles met with Foreign Minister Bidault on April 22 to discuss matters relating to

the EDC and Indochina. On the afternoon of April 23, MacArthur met with President Laniel to discuss the same two subjects. For a record of the discussion on the EDC, see *ibid.*, page 940; for the discussion on Indochina, see volume XIII, Part 1, page 1361.

No. 635

Editorial Note

For extensive documentation on the Geneva Conference, April 26–July 21, 1954, which was largely concerned with matters relating to Korea and Indochina, see volume XVI. The documentation presented in that volume includes exchanges of correspondence between President Eisenhower and President Coty, and between Secretary Dulles and Foreign Minister Bidault, as well as records of numerous United States-French meetings concerning the outcome of the negotiations which took place during both the formal and informal meetings at the Geneva Conference.

No. 636

751G.00/5–1354: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

TOP SECRET NIACT PARIS, May 13, 1954—11 a. m.

4343. Limit distribution. Situation in French Cabinet and particularly in Parliament has deteriorated considerably in last few days. Knowledge of serious military danger in delta is just becoming public and seems to be increasing desire for peace at any price. Even if Laniel government should survive confidence vote today, which is by no means certain, I feel that the pressure to accept Viet Minh terms as basis of negotiation will become irresistible unless some new element enters situation. It is obvious that Cabinet and Parliament do not now support strong position so far taken by Bidault at Geneva. Only new element which I can conceive of that could change present course of events would be public declaration and clarification of US position along lines of numbered paragraph 2 of Deptel 4023. [2] I would very much hope that question of specific right of withdrawal from French Union which does not

[1] Repeated to Geneva and Saigon eyes only McClintock.

[2] For the text of this telegram, dated May 11, which concerned the internationalization of the war in Indochina, see vol. XIII, Part 2, p. 1534.

seem important to Vietnamese could be omitted from statement as it would push strongest supporters of continued French action toward defeatist attitude.

It is very possible however that time is already too late for such action on our part and that even if it should be taken French Government would be forced by Parliament to accept Viet Minh armistice terms. However, public statement along these lines by US would have great advantage of clarifying to French opinion, and presumably to rest of world, US position which is not at all understood here. I do not feel that governmental discussions along lines requested by Bonnet in Deptel 4048 [3] would have necessary impact unless they were accompanied by public announcement along lines previously indicated.

At suggestion of Under Secretary I am planning fly Geneva late this afternoon, returning Paris early tomorrow afternoon.

DILLON

[3] This telegram summarized a conversation between Dulles and Bonnet on May 12 concerning the initiation of U.S.-French meetings over the matter of internationalizing the war in Indochina. For the memorandum of this conversation, see vol. XIII, Part 2, p. 1540.

No. 637

751.00/6-454: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, June 4, 1954—8 p. m.

4720. We are impressed by growing sentiment among parliamentarians and qualified observers, including Jacques Fauvet of *Le Monde*, that not only is fall of Laniel government imminent but that prospects for dissolution have increased. Gazier and Pineau (Socialists) told us at the beginning of week that in their opinion unless something is forthcoming from Geneva by the time current Indochina debate closes government will not survive that crisis. This conclusion is widely shared and even more optimistic observers think that if Government survives Indochina debate it will only be on basis of some negative *ordre du jour* which will simply serve to put off the crisis for a week or so. After that government will be upset on one of number of other issues if not on Indochina itself again.

[1] Repeated to Geneva.

We can find little reason to disagree with these prognostications. Certainly Laniel himself has worn his reserves and good will very thin. Assembly is tired of the old reasons for giving the Government breathing spell—"France cannot be without a Government while she is negotiating at Bermuda, Berlin, Geneva" and, they ask, "What other reason is there?" News that Laniel's brother, Senator Rene Laniel, is involved in some questionable financial transactions has not enhanced the Prime Minister's present prestige either. In addition, *L'Express* incident resulting in Jacquet's resignation and contributing to difficulties of choosing new Commander-in-Chief for Indochina have all served to discredit Government and increase parliamentary impatience.

One factor which is said to have made it possible for Government to survive its recent votes of confidence has been that prospects for forming new government were slim and any crisis would be prolonged. They remain slim. There is talk of an Edgar Faure, a Mendes-France or a Pinay government but no evidence that matters have advanced beyond the "feeler" stage.

L'Express article claiming that Faure was well advanced in forming government has been largely discredited and resulted in little but a *L'Express*-Faure feud now receiving attention press. It has not helped Faure. On the other hand, Mendes-France is always a good contender particularly now when he is enjoying prestige of having been right in the sense of "I told you so" on Indochina. Pinay's prospects are temporarily sidetracked for simple reason that he is ill with jaundice.

While government crisis appears to be in offing and prospects for formation of new government have not improved, prospect of dissolution is becoming more accepted. At dinner June 2 Jacques Fauvet, Chamant and Duchet (Independent Deputy and Senator) devoted evening to detailed study of Assembly membership by departments in order determing prospects for independents "in the forthcoming elections".

In considering latter prospect, it is recalled that Article 52 of the constitution states that general elections must take place at least 20 days and at most 30 days after dissolution and that new Assembly meets with full powers on third Thursday following such general elections. Therefore not impossible that with dissolution prolongation of period when France is without government (and Assembly) might conceivably be shorter than without dissolution and prolonged crisis. While it is difficult to prognosticate regarding results of general elections, there is no reason to expect that a chamber elected now would be any less favorable to US policies and objectives than present one and there are reasons to hope that a new chamber would be considerably more favorable to European unity

and to EDC than present chamber. (In recent by-elections pro-European, pro-EDC candidates have won and many competent observers believe that in general elections bitter end opponents of EDC on the right would lose out and a new National Assembly would immediately face up to the EDC and ratify it by a substantial majority.)

In any case, next hump is outcome current Indochina debate, now expected for June 9, when shape of things to come should be more clearly outlined.

DILLON

No. 638

Editorial Note

On June 12, the government of Joseph Laniel resigned following a vote of no confidence in the French National Assembly. In the Embassy's opinion, contained in telegram 4833 from Paris, June 14, the government's resignation had to be interpreted as being due to the "assembly's desire to lower French terms for Indochina peace at Geneva conference". The Embassy concluded that any successor government would be under an implicit instruction to end the war even at the cost of "major concessions". (751.00/6–1454)

Pierre Mendès-France was subsequently selected as the new Prime Minister-designate by President Coty and he immediately began to prepare for the investiture vote. Reports concerning Mendès-France's investiture speech are contained in telegrams 4906 and 4909 from Paris, June 17 and 18 (751.00/6–1754 and 6–1854); a more detailed analysis of the investiture speech and the successful investiture vote in the National Assembly on June 18 was transmitted to the Department of State in despatch 3288 from Paris, June 23. (751.00/6–2354)

When Mendès-France formed his Cabinet, Embassy officials noted that it was a "far-reaching break in continuity of French governments since the war". According to telegram 4972 from Paris, June 21, the Mendès-France government represented in effect a "minority government" because its Cabinet had representatives of the ARS, MRP, and Independents, without any Socialist participation. (751.13/6–2154) A detailed analysis of Mendès-France's Cabinet was transmitted to the Department of State in despatch 40 from Paris, July 6. (751.13/7–654)

No. 639

751G.00/6-1854: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

TOP SECRET NIACT PARIS, June 18, 1954—1 p. m.

4914. Limit distribution. I delivered President's letter [2] personally to Coty at 12:15 today. Coty was most pleased with the contents of the letter and said it had come at a most opportune time. He asked me to thank the President and said he would send him a personal answer very promptly.

Coty then said that it was true that there had been a certain amount of misunderstanding between France and the U.S. regarding Indochina, but that he wanted to make it clear that he fully realized that France bore a full share of responsibility for any such misunderstanding.

He then spoke highly of Mendes-France and said that it should be possible to obtain clear cut statements of position from him, which would be helpful in dispelling misunderstanding. He particularly praised Mendes-France's categoric refusal to accept Communist support for his investiture and said that it was the strong position that Mendes-France had taken on this subject, applauded by all anti-Communist parties in the National Assembly, which had given the necessary impetus to his candidacy to assure his investiture.

Regarding publication of the letter, Coty felt that it would be most helpful to have it publicized but said that he would like to discuss it with Mendes-France this afternoon, after which he would let us have his definite feelings on the matter. I told him that when I received his views I would communicate promptly with Washington and get the views of my government regarding publication.

I personally feel that the letter is excellent and that it would be helpful to have it publicized. I hope that arrangements can be made for its immediate release should Coty so desire. [3]

DILLON

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[1] Repeated to Geneva eyes only for Under Secretary Smith, who was there to attend the Geneva Conference.

[2] Reference is to President Eisenhower's letter to President Coty on June 18 giving him courage "in these troubled days" of the French Government crisis. For the text of this letter, see Department of State *Bulletin*, June 28, 1954, pp. 990-991. For the text of President Coty's reply of June 23, see *ibid.*, July 5, 1954, pp. 13-14.

[3] President Eisenhower's letter was released to the press by the White House on June 18.

No. 640

751.00/6–2254: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, June 22, 1954—noon.

4981. Last night after Mendes finished talking about Indochina, [1] he remarked that he was finding the job of Foreign Minister more difficult than he had expected and that after he finished with Indochina he might give up the Foreign Ministry to concentrate on the next important problem which would be North Africa. I asked him what he intended to do about EDC and he said, of course, that was important also but that it would be settled promptly before Parliament went on vacation. He said that he was going to appoint a committee today to try and work out the compromise solution which he hopes to achieve. This committee will be jointly headed by Koenig, representing the anti-EDC elements, and Bourges-Maunoury, representing the pro-EDC elements.

I then took the occasion to tell Mendes that I hoped that in the press of negotiations over Indochina France would not lose the opportunity which she now had, and which would not long remain hers, to obtain a satisfactory settlement on the Saar. Mendes remarked that he was not informed about this subject, I then told him that I personally and the experts in my Embassy felt that the agreement worked out at Strasbourg was most favorable to France. I told him that he should know that the US had worked very hard with Adenauer to get him to make the many concessions which he had made. I further told Mendes that if France did not grasp this opportunity to settle the Saar, I personally thought it would be most difficult for the US to again ask Adenauer to make concessions on the Saar in some future negotiation. I further pointed out that in my personal view, unless this opportunity was seized by France it might mean that the Saar would eventually and in the not too far distant future return to Germany. Mendes listened with great seriousness and then said that he would inform himself promptly regarding this problem.

DILLON

[1] This part of the conversation was summarized in telegram 4980 from Paris, June 22; for text, see vol. XVI, p. 1212.

No. 641

EUR files, lot 59 D 233, EUR subject files

The Defense Adviser to the United States Mission to the North Atlantic Treaty Organization (Voorhees) to the Assistant Secretary of Defense for International Security Affairs (Hensel) [1]

TOP SECRET PARIS, June 24, 1954.

DEAR STRUVE: General Bill Donovan came over here with me from New York and stayed with me for two days before starting on for Bangkok. [2] Both of us met with David Bruce and later with Douglas Dillon. Their appraisals of certain aspects of the present situation may be of interest and use to you, although in considerable part they may merely duplicate, or perhaps serve further to corroborate, information which you already have. I, of course, present this subject to inevitable inaccuracies in recollection of long conversations of which I took no notes at the time.

General Donovan believes that the partition of Vietnam will occur, with the complete surrender of Hanoi, Haiphong and the Delta area; that Laos and Cambodia are likely to be neutralized, and therefore left without defense; that the infiltration of the Communists into Laos and Cambodia, which has already occurred and which will increase, will probably result in these areas later being taken over by the Communists; that it is critically important to develop strength west of Indochina to prevent the above factors from resulting in the collapse of Southeast Asia. He counts strongly on the Thais. He recommends that the United States, by agreement with Thailand—an agreement which he considers could be made without difficulty—establish a U.S. air base near the eastern border of Thailand (there is a site for this which he considers suitable); that the U.S. station there a USAF air wing of 75 fighter planes. He feels that this would be a tremendous strengthening factor to the entire area. If this is done he believes that the British will furnish additional air strength to protect Malaya. He considers also that the increasing threat, both to Thailand and Burma, will tend to draw these countries closer together, and that the Burmese will also take more effective steps for their own defense. He thinks this will not be done by the Burmese particularly publicly, but that it can be done in conjunction with the British. He is optimistic that

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[1] Attached to the source text was a memorandum by Hensel, dated June 28, which indicated that this letter was forwarded to Merchant for his information. Markings on the text indicate that it was circulated by Merchant to RA.

[2] William J. Donovan was en route to Thailand where he was serving as Ambassador.

if these vigorous measures are taken, the collapse of a substantial portion, or perhaps all, of Indochina will not result in the loss of Malaya, Thailand and Burma.

Ambassador Bruce is, I believe, a uniquely well informed and wise counselor in connection with EDC. It was an excellent move, in my judgment, for the Republican Administration to keep him on active duty. He is obviously tired and weary of his job, but I think will continue to furnish to the United States, and to you, invaluable counsel. I shall try to make arrangements for you to have an adequate private conference with him on your proposed trip here.

He talked with General Donovan and me at length and with the utmost frankness. He believes that the French are likely almost completely to surrender in Indochina. As to getting EDC through, he feels that our most serious source of weakness is the British. He says that the British for the past several weeks have been negotiating with leading Frenchmen opposed to EDC on possible modifications of EDC, and considers that such negotiations under present conditions are literally poison for EDC. He states flatly that there have been the votes available in the Chamber of Deputies for the past nine months to pass EDC, and that the failure to do so has been entirely a result of the maneuvering of the politicians rather than a lack of votes. He says that the Benelux countries are bitter over the French inaction and that any attempted passage of EDC with modifications would not be accepted by them and would be a loss rather than a gain. He considers that Adenauer's position will become precarious by fall unless EDC is passed. He still feels that it may be possible to pass EDC in its present form, and that, if this should fail, the only alternative is a German entry into NATO. If the latter should occur he believes that it can only be done upon the basis of unrestricted equal membership for the Germans, not a second-grade membership as some are now thinking would be possible.

In efforts to get the French to pass EDC, he considers that our greatest obstacle is the weakness of the position taken by the British, and particularly, Eden. He feels that the French are gravely concerned about U.S. independent negotiations with the British without the French being included, and that if a firm, strong, united stand could be worked out by the United States with the British it would have a great influence on the French. He thinks that if this were not sufficient negotiations between the Americans and the British on the one hand and the Germans on the other, without including the French, would exert a further influence. He feels, therefore, that a very strong stand is necessary with the British. General Donovan underlines this with colorful accents.

In our meeting with Ambassador Dillon, he independently emphasized the damage to the prospects of EDC resulting from the recent negotiations by the British with leading Frenchmen who are opposed to EDC in its present form, seeking an acceptable modification of EDC. Both he and Ambassador Bruce feel that any French modification of EDC would inevitably involve the elimination of the supra-national authority, and would therefore not only prevent the accomplishment of EDC, but would also undermine the coal and steel community already in existence on a supra-national basis.

As to the relation of the military assistance program and offshore procurement to the above, we discussed this subject with Ambassador Bruce but only touched on it with Ambassador Dillon. Mr. Bruce feels that it would be desirable for us radically to slow down our offshore procurement contracts and our deliveries of end item equipment pending clarification of EDC's status. He thinks that this should be applied not only to France and Italy, which have not approved EDC, but generally to the European countries. He feels that such action should not be announced publicly, but believes that it would be very promptly understood by the European countries. He feels that this would have some benefit in promoting EDC, although the benefit would be marginal in character and that the main reliance for approval of EDC must be on obtaining a firm position on the part of the British under which they would line up with the United States. Nevertheless, he considers that such retardation of MDAP deliveries and OSP contracts would result first in some pressure by industrial firms upon the governments when the firms do not get the OSP contracts which they so much desire. This would be akin to the industrial pressure groups with which we are so familiar in our own Congress. He also feels that the slowing up of OSP contracts and MDAP deliveries to other countries which have ratified EDC might well lead to their exerting pressure on the French so that the pressure would not primarily be coming from the United States alone. He thinks that it is most desirable for such pressure to come from other countries also, such as the Benelux countries. He believes that the latter are prepared to press the French.

As a footnote to the above, the following is a general comment: The Defense Department alone now has large funds available for European aid, both through deliveries of military end items, through offshore procurement contracts, infrastructure aid, and funds for military bases. Economic aid through FOA is now nearly at an end for the principal countries. Our military aid program, and particularly our OSP program, has under present conditions, perhaps even greater political than military significance. The time

has come when it is critically important that the Defense Department's resources of military aid and OSP be effectively mobilized in U.S. negotiations.

It is equally important, I believe, that a reexamination be made of these programs. While all of the present funds have been "programmed", the programs were largely developed under a military concept as to conditions, weapons, and military strengths different from those which at present seem probable. Even if EDC is approved, the number of divisions will fall very far short of those planned 2½ years ago as the minimum necessary. The types of weapons and fighting will probably be different from those contemplated in the plans developed at Lisbon. The military threat, instead of being one which would become most acute in two or three years as contemplated at Lisbon in February 1952, is now one which may last for forty years. The roughly 7½ billion dollars unspent for military aid for Europe represents almost all—at least, so I believe—of the only money which we will have available for European military aid. We are continuing to spend this money and deliver the items on a program and plan which may be in greater or less degree outmoded.

The responsibility which you have to bring order out of this situation is a very great one and the opportunity which you have is correspondingly challenging. Under present conditions it is my belief at least that your position in the Defense Department may well be a post second to none in importance.

With warm regards.

Yours faithfully,

TRACY

No. 642

751.00/6–2854: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

CONFIDENTIAL PARIS, June 28, 1954—7 p. m.

5069. After first week of Mendes-France Govt following are our impressions and conclusions:

1. His Assembly support, despite outward appearance to the contrary, has narrowed since he received 419 votes for investiture on June 18. Although he obtained 421 votes on June 24, number of radicals in that total dropped from 72 to 63 and Social Republicans

[1] Repeated to London and Bonn.

(ex-URAS) from 59 to 56. Overall increase was due to larger vote of the classical right (Independents, Peasants and ARS) which is definitely in opposition but merely vote yes to give him all the rope he needs until July 20. (MRP abstained for similar reasons.)

2. Cabinet contains some "fresh, young blood" but it is essentially weak. Mendes tried hard to obtain MRP participation but got only two mavericks who have since been thrown out of their parlimentary group. He also tried to induce minority Socialists to enter his govt but even the lone wolf Lacoste, who had long been regarded as available, refused. He wanted Soustelle in his cabinet to guarantee De Gaulle's support, but Soustelle did not come in and De Gaulle on June 21 again scathingly denounced "present regime which, whatever may be intentions of individuals, can only produce illusions and fumblings."

3. His investiture appears to have caused widespread hope and relief particularly in quarters desirous of peace in Indochina, but no real enthusiasm except in leftist and intellectual circles and there seems to be no wave of sentiment comparable to that caused by his near-successful investiture attempt year ago. Even the magazine *L'Express*, which is warmest supporter of Mendes-France, does not claim that his investiture has stirred the country this time and even speaks of "an immense need for explanations and reassurances required to nourish the practically universal hope" among the people.

4. Mendes has adroitly proceeded to provide those explanations and reassurances directly to the people and in this he is breaking important new ground. (Laniel's broadcast reply to the strikers last year was amateurish bluster whereas Mendes has excellent fireside chat manner.) To what extent he can consolidate public support and if necessary use it to pressure Assembly to pass specific legislation remains to be seen. Certainly Assembly itself does not like to see Premier appeal "over its head" to the country.

5. Even if Mendes obtains Indochina truce by July 20 it does not appear likely at present writing that he would be able then to broaden his cabinet. Socialists, although under considerable pressure to participate, would first wish to discuss his economic program and MRP would probably require commitment re EDC. However, we are not sure Assembly could hold him too closely to July 20 deadline if by that time agreement on Indochina seemed imminent. On other hand it seems clear that if he does not produce such agreement fairly soon after the deadline, he will be pole-axed.

6. What would happen after Indochina settlement if he obtains one is hard to predict, but we are inclined to feel that wave of national gratitude and upsurge of his prestige predicted by some observers may be smaller and briefer than expected; for the psycho-

logical atmosphere is not at all comparable for instance to Munich: In 1938 everybody feared imminent war and was relieved when it did not happen. Today most people expect imminent peace and will be greatly disappointed if it not obtained soon but not necessarily startled or overjoyed when it comes: Early peace in Far East is now widely taken for granted.

7. Because Mendes would probably benefit only from brief period of euphoria in Assembly after possible Indochina settlement, he would have to act fast if he is to put even initial part of his economic program through, for opposition to that program is considerable. Communists will most likely switch back from support to opposition and MRP, which is now virtually an opposition party, would at best give only limited support to economic program as long as EDC not decided. Moreover, Radical and Social Republican support bound to decline after IC settlement. Consequently we feel Mendes faces tight squeeze in getting economic program going. However, we believe he will seek some Assembly action in that field before EDC showdown.

8. Assuming, then, that he produces Indochina settlement before summer recess and that he is able to get at least some special powers from Assembly in economic field (which in that case is not improbable), he would still carry considerable weight in EDC debate. We believe if he were willing to throw that weight to side favoring ratification without amendments (or with minor face-saving conditions for deposition of ratification instrument), he could achieve satisfactory majority. But his intentions in that regard are at best cloudy at present. In any event such action on his part would probably produce exodus of Social Republicans from his cabinet and their substitution by MRP, which would change entire complexion of Govt, necessitating new appraisal of his prospects.

DILLON

No. 643

EUR files, lot 59 D 233, "Letters—France, July-Dec. 1954"

The Ambassador in France (Dillon) to the Assistant Secretary of State for European Affairs (Merchant)

SECRET [PARIS,] July 1, 1954.

DEAR LIVIE: Here are some further thoughts on the new Mendès-France Government. I feel that these thoughts are somewhat more

important than those in my last letter, [1] and I think it would be worthwhile for you to pass them along to the Secretary and others in the Department.

Mendès himself has continued to show a most complete spirit of cooperation, and he has apparently instilled that spirit in all his people at the Quai d'Orsay. I had a visit with Guerin de Beaumont, which I did not report by telegram as our talk contained nothing that was startlingly new, but Beaumont on his own emphasized Mendès' wish to have the best possible relations with the U.S. In talking about the EDC Beaumont mentioned his own plan briefly, but only referred to the part of his plan which postponed the entry into force of certain provisions of the EDC. He did not even mention that part of his plan which changed the functions of the Commissariat.

By far the most startling change in the Quai d'Orsay is the attitude of Parodi whom I have seen several times. Parodi is obviously very pleased with the new government. He told me that he had served as a Minister in de Gaulle's original government with Mendès and had known and respected him ever since. Prior to the last two weeks, Parodi, whenever I have seen him, has always been very correct and formal. His attitude could even have been described as chilly. Now, on the contrary, he is friendly in the extreme and says every time I see him that he is making it his personal responsibility to see that Franco-American relations continue to be of the closest.

To my complete surprise the other day, he brought up the question of the EDC, and said that he felt that Mendès might be able to finally put it through the National Assembly. He said that he had served under Robert Schuman and Bidault, and that while Schuman had been responsible for negotiating the EDC, he had never even submitted it to the French Parliament. Bidault, according to Parodi, always avoided the issue and never made a determined effort to push the EDC to a vote. On the other hand, Parodi said that he now expected some action from Mendès. His whole attitude was as if he were in favor of the EDC. Since his opposition in the past is well known it is difficult to know exactly how to evaluate his new attitude.

This changed attitude by Parodi and the other career people in the Quai d'Orsay has been confirmed to me by Harold Callender of the *New York Times* and Kleiman of *U.S. News and World Report*. They both report to me that now that the career elements in the Quai d'Orsay have a much greater responsibility for the actual conduct of foreign relations, their attitude on EDC has changed very

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[1] Not further identified.

considerably. They are apparently very afraid of the prospect of having to negotiate some new agreement alone face to face with present-day Germany. Therefore, the EDC looks far better to them than it ever has in the past.

All this leads up to the more or less surprising conclusion that Mendès, if he should stay in power, probably will have much more power and ability to obtain ratification of the EDC with only minor face saving changes than a government headed, for instance, by Bidault. Mendès is known as a person who is more or less uncommitted on EDC, and if he should come out strongly for it as he indicates he will, it would have a powerful impact on the wavering vote in the Assembly, particularly if he has been successful in obtaining an Indochina settlement. Therefore, more than ever before, the fate of EDC in France seems to depend on the decision of one man—Mendès-France.

I think it is a safe assumption that the confrontations now going on between Bourges-Maunoury and General Koenig will not result in any agreement, and that Mendès will have to then write his own ticket. If he confines himself to changes which are really minor and face saving in nature, and then pushes hard for ratification, my own feeling is that he will be successful. If, on the other hand, he should insist on changes of principle, the EDC would be dead, at least for some time to come.

In view of this fact, and coupled with Mendès' very evident desire to work closely with us, I think it is most important that we act in the most friendly manner possible towards him personally, and thus encourage him in his evident desire to cooperate with us.

While some of the entourage surrounding him when he came to power were, to say the least, questionable, his appointments to his personal cabinet at the Quai d'Orsay have been excellent. This does not apply, however, to his cabinet as Président du Conseil in which there are a number of individuals about whom we are not too happy. Therefore, I feel it is important that we should do nothing to force or push him towards the views of his more neutralist minded supporters.

It is clear that Mendès knows very little of the problems of conducting foreign relations—he has said as much to me several times, and in particular, he has never studied the problem of Franco-

German relations and the EDC. He has a lot to learn and I think we should try and be as helpful as possible during this educational process.

Best wishes. [2]

Sincerely,

DOUGLAS DILLON

[2] In his reply to Dillon of July 7, Merchant noted that he had great respect and personal liking for Mendès-France and agreed that he was sincere in his desire to maintain close relations with the United States. (EUR files, lot 59 D 233, "Letters—France, July–Dec. 1954")

No. 644

611.51/7-254

Memorandum of Conversation, by the Secretary of State [1]

SECRET WASHINGTON, July 2, 1954.

Ambassador Bonnet expressed concern at the statements of Senators Knowland and Johnson and the general trend of Congressional attitude. He said that as far as the French withdrawals in Indochina were concerned, he was sure that our military people had been advised that these were in contemplation. I said that I did not know that we were being kept informed of these developments in advance.

I subsequently spoke alone to Mme. Bonnet. She is probably going back to France for a few days. She expressed herself as very hopeful of Mendès-France. She believed that he would work out some honorable settlement in Indochina and would then complete EDC. She asked us to have confidence of Mendès-France's intentions to put the EDC through, and particularly urged that he should be given an opportunity without Adenauer rocking the boat. She expressed herself quite vehemently on this latter point.

She will probably be seeing Mendès-France in Paris within the next few days.

JFD

[1] According to a notation on the source text, this conversation took place at the French Embassy residence on the evening of July 2.

No. 645

611.51/7-654: Telegram

The Ambassador in France (Dillon) to the Department of State

SECRET PRIORITY PARIS, July 6, 1954—11 p. m.

65. I talked with Mendes for an hour and fifteen minutes this afternoon at his invitation. The first subject he brought up was Kerr Article. [1] The talk also covered various aspects of the Indo China situation and EDC. These portions of the conversation are being reported in separate telegrams. [2] Regarding Kerr article, Mendes said that he had been greatly upset by it. He recalled that when he had seen Bedell Smith he had told him of his desire to have full, frank relations with the US. He said that he realized that we might disagree from time to time as friends do, but what he particularly wished to avoid was any implication that we were not consulting fully and frankly together as allies. Kerr story, he said, carried this very implication which he had above all wanted to avoid. He then emphasized fact that he had kept me regularly and fully informed here in Paris and that Chauvel was seeing our delegation every day at Geneva and keeping them fully informed. He admitted again that communications had broken down in Indo China and that Ely had not informed O'Daniel of exact time and scope of French withdrawal in the Delta. He explained again that this was because the decisions had been made in mid-May and it had mistakenly been assumed that Ely had informed O'Daniel at that time.

He apologized for this error and then re-affirmed that Ely now had instructions to keep O'Daniel fully and regularly informed. Mendes then said that he had been particularly disturbed by implication in Kerr article that he had not given us full story on Chou En Lai talk at Bern. He categorically re-affirmed that Chauvel had told me every thing that had occurred and added that Johnson had also been informed and that Ambassador Bonnet had received instructions to inform the Department. Therefore he could not understand this portion of the Kerr article unless Kerr was attempting

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[1] Reference is to an article by Walter Kerr which appeared in the July 6 issue of the *Herald-Tribune*. It stated that the French were withholding important information from the United States and that Mendès-France was dealing less openly and frankly with the United States than his predecessors. The Embassy's comments on this article were transmitted to the Department of State in telegram 45 from Paris, July 6. (611.51/7-654)

[2] For a report of the conversation concerning the EDC, see telegram 68 from Paris, July 6, *infra*. The discussion concerning Indochina was summarized in telegrams 66 and 67 from Paris, July 6, which are printed in vol. XIII, Part 2, pp. 1786 and 1787.

to impute bad faith to him. Mendes spoke quietly but with great feeling and ended by asking me what could be done to improve the situation. I told him that the withdrawal in the Delta had made a great impression in the US and that it had been most unfortunate that we had not been previously informed. I said that we considered it most important that we be kept fully informed of events on the spot in Indo China. I also told him that while we recognized that we had been kept fully informed of events as they occurred, the Department did not feel that we were being fully consulted in advance of French decisions. I said that the Department realized that we had no right to ask [for] advance consultation but that naturally we would welcome it if it took place. Mendes replied that he did not think that the French had been remiss in this respect as he had spoken to us in advance about the meeting with Chou and that except for that there had been no real decisions to talk about as very little had happened at Geneva.

He ended this phase of the conversation by expressing the hope that the Kerr article did not really represent the views of the State Department and that there would be no repetition of this article which he said has caused great comment in the French press.

Comment: In this he is correct as the Embassy has received calls on the subject from practically all French newspapers.

DILLON

No. 646

740.5/7-654: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, July 6, 1954—11 p. m.

68. The third subject which Mendes took up with me this afternoon was EDC. He said that he was becoming discouraged as it seemed less likely that he could arrive at a satisfactory compromise. He deplored the efforts of Spaak and particularly his statements in Belgium after his return from Paris. [2] He also said that Adenauer's statements had had an unfortunate affect and had

[1] Repeated to London and Bonn.

[2] At the suggestion of Spaak, the Foreign Ministers of Belgium, the Netherlands, and Luxembourg met in Luxembourg on June 22 and agreed to propose a conference of the six signatory powers of the EDC Treaty during which they would request immediate French decision on the treaty. On June 30 Spaak held a meeting with Mendès-France in Paris after which a communiqué was issued noting agreement on the usefulness of such a conference. For documentation on this initiative by Spaak, see vol. v, Part 1, pp. 571 ff.

made it unnecessary for Guerin de Beaumont to spend two days going to Bonn as Adenauer had informed the French of his position via the newspapers. [3] He said that both of these events had had the effect of stiffening positions here in France and had made it more difficult to reach a compromise position. He also regretted the fact that Anglo-American working group meeting had been made public. [4]

Mendes said that the reasons for his great concern were that he was convinced that the EDC would not be ratified in its present form and that if it was rejected by France, the result would be a catastrophe primarily for France but also for the Western alliance as a whole. He said that if the EDC treaty passed by a small margin, it would be decisively defeated in the Council of the Republic and could not possibly muster the necessary 314 votes to pass the [garble] on second reading.

This was the reason for which he placed such store in arriving at some sort of compromise solution. He said that the Bourges-Koenig talks would continue and he would still hope that something would come out of them. He said in a rather discouraged tone that he had hoped that the other countries would have allowed him to have the six weeks period of grace which he had asked but that had not been the case and their actions had complicated his problems in France. He said that he was not asking for anything but just wanted to bring me up to date as to his feeling on the subject as of now.

DILLON

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[3] For documentation concerning Adenauer's statements about the EDC Treaty and the plans of Mendès-France to send Guerin de Beaumont to Bonn in order to keep Adenauer informed of developments in France relating to the treaty, see vol. v, Part 1, pp. 571 ff.

[4] For documentation on the U.S.-U.K. Study Group on Germany, which met in London July 5–12, see *ibid.*, pp. 997 ff.

No. 647

Editorial Note

Secretary Dulles and his advisers traveled to Paris for a series of meetings with the French and British July 13–14. For documentation concerning these conversations, which were largely devoted to Indochina, see volume XIII, Part 2, pages 1819 ff. For a record of the meeting between Dulles, MacArthur, and Prime Minister Mendès-France on July 13, which dealt with matters relating to

the EDC, see the memorandum of conversation by MacArthur, *infra*.

No. 648

611.51/7-1554

Memorandum of Conversation, by the Counselor of the Department of State (MacArthur) [1]

SECRET PARIS, July 13, 1954.

Participants: The Secretary
M. Pierre Mendès-France
Mr. MacArthur

M. Mendès-France opened the conversation by expressing his deep appreciation to Secretary Dulles for having come to Paris to meet with him and Mr. Eden. The Secretary replied by saying that there is nothing that replaces personal contacts and exchanges of views, and that he had been very happy to have the opportunity to sit down with the French Prime Minister and talk things over on a basis of complete frankness and intimacy. In particular, he said that he had been concerned over the possibility that there were misunderstandings developing regarding the position of the U.S., and his trip would enable him to set forth at first hand the views of the U.S. Government, and at the same time obtain a clearer understanding of the position of the French Government. M. Mendès-France said that he would be very glad to hear the Secretary's views. In the field of foreign affairs he, Mendès-France, was a complete neophyte. He had supposed that one day he might become Finance Minister, Minister of Economic Affairs, or even Prime Minister, but had not supposed he would ever be Foreign Minister since much of his background was in financial and economic matters.

The Secretary said he would like to begin by making three points before engaging in general exchanges of views. The first of these points was that the U.S. had confidence in M. Mendès-France and welcomed his fresh approach to some of France's most pressing problems in which the U.S. also had a common interest. Speaking with complete frankness, the Secretary said that French indecision

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[1] It was noted on the source text that this meeting took place at Ambassador Dillon's residence from 7:30 to 8:30 p. m. on July 13. This memorandum was an enclosure to a memorandum by MacArthur to Gruenther, dated July 15, which included a complete set of "Paris papers" from Secretary Dulles' visit to Paris. For information concerning this Paris trip, see the editorial note, *supra*.

and inability to make difficult decisions had in the past created a real problem with respect to France's relations not only with the U.S. but also with other allied countries. The U.S. wishes to work in closest harmony with France, and asked nothing better than to march step in step with her. This had been difficult because when French Governments had apparently agreed to certain decisions, they were not carried out. Traditionally there is a great sentimental attachment for France in the U.S., but there is growing concern in the U.S. over apparent French vacillation and backing out on commitments. M. Mendès-France's forthright statement that he would press for decisions on urgent problems was therefore greatly welcomed.

The second point that the Secretary said he wished to make related to France being overextended. He said that he understood the Franch people and Government felt that France was overextended in Indo-China. He was inclined to agree. He earnestly hoped that there was not a feeling in France that we were pushing them to commitments which they culd not fulfill. This was not the case. On the contrary, we had recognized that France was overextended, and for this reason, had given billions of dollars of economic and military aid to France so that she could meet the commitments she had undertaken both in Europe and in Indo-China. In effect, the U.S. had done its utmost to bridge the gap between the responsibilities which France had undertaken and her capabilities to meet these responsibilities. In other words, far from pushing France to commitments that she could not meet, we had done our utmost to assist her in bridging the gap; and had extended to her very substantial aid which had in effect enabled her to increase her dollar reserves. Fundamental to U.S. policy with respect to France was the desire to assist France in reaching a situation where her responsibilities would be balanced by her resources.

The third point which the Secretary said he wished to mention was connected with Germany and the EDC. He believed that the basic Soviet objective was to keep France and Germany divided and to prevent all moves towards European unity whereby Germany would be solidly associated with the West and a viable and strong Europe created. The primary Soviet objective was to create disunity in Europe and ultimately obtain control over Germany. The Soviet Union had very important cards which it could play in this game, and if it played them, it might indeed neutralize and ultimately reach an agreement of some sort with Germany. Until there was some form of organic European unity involving France and Germany, the Soviet Union would continue to harass France in every possible field, concentrating on Europe but also in North Africa and elsewhere and would make life extremely difficult. If

France and Germany joined together in some form of organic European unity as is provided in the EDC, the Soviet Union would not have the same incentive to continue its harassing tactics aimed at dividing Germany and France. The Soviet Union was realistic and recognized accomplished facts. However, as long as EDC was not ratified and the Soviets believed there was a chance of neutralizing and winning Germany over, France could expect no mercy from Soviet harassments, propaganda and pressure.

Referring to the meeting between President Eisenhower and Prime Minister Churchill, [2] the Secretary mentioned the U.S.-U.K. group which has been meeting in London. [3] He referred to the proposed protocol restoring sovereignty to Germany, and said that while this was a most difficult question, the U.S. felt strongly that German sovereignty must be restored. This involved the question of whether there should be a full or partial restoration of sovereignty. The Secretary said that he had been present during the work of the Versailles Treaty and felt that the results of that Treaty clearly demonstrated that it was folly to believe that permanent restrictions could be imposed on a great power.

Furthermore, if Germany were not permitted to participate in Western European defense, he believed that the next Congress would not appropriate a dollar for European military aid connected with NATO. From conversations which he had had with leading members of Congress—of both the Republican and Democrat parties—the Secretary could only say that there is a growing sentiment that it is illusory to believe that France will agree to Germany being included in European defense. Therefore, if this does not soon occur, it would be better to write off what we have tried to do to build up the defensive strength of Western Europe as a noble but unproductive experiment. There would be the strongest pressures for the U.S. to engage in a peripheral form of defense involving the U.K., Spain, Greece, Turkey and other peripheral countries. The situation is generally portrayed as follows: for two years the French Government has been promising that ratification of the EDC was just around the corner. After actually signing the Treaty, the French added protocols to the Treaty which they had insisted to be signed by the other European partners. They have received the most far-reaching kind of commitments from the U.S. and the U.K. on the basis that they would ratify the EDC. If now France again procrastinates, the damage would be incalculable. The Secre-

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[2] For documentation concerning the Eisenhower-Churchill talks in Washington, June 25–29, see Documents 454 ff.

[3] For documentation on the U.S.-U.K. Study Group on Germany, which met in London July 5–12, see vol. v, Part 1, pp. 997 ff.

tary concluded by saying that he had come to talk about the Geneva Conference and Indochina, but felt obliged to speak with complete frankness to M. Mendès-France about the German and EDC questions. As long as the decision on EDC is postponed, it is a direct invitation to the Soviets to increase their action to drive a wedge not only between France and Germany but also between the NATO powers. If this question were settled and Germany were brought into the Western family, we would then be in a position to really negotiate with the Soviet Union from a position of real strength.

M. Mendès-France said that he appreciated the Secretary's very frank statement. In view of the time, he would like to comment first on the point the Secretary made regarding EDC. He said that he personally had long been a staunch advocate of European unity. He felt that the U.S. had been misled with respect to the possibilities of EDC ratification. He did not believe that there was at present a majority for EDC in the French Parliament. The French Parliament was at present divided into three groups:

1. A pro-EDC faction.
2. A group which was agreeable to German rearmament, but opposed to EDC.
3. A group which consisted of the Communists and a few others who were opposed to German rearmament under any form.

At present he felt that groups 2 and 3 above had a majority. However, if he could detach 60–80 members of group 2 above and join them with the pro-EDC group 1, he would have a majority. This was what he was endeavoring to do. What he did not wish was to put EDC to a vote and have it turned down. This would represent a Soviet victory of the first magnitude, and would be a disaster for France, NATO and Western unity. The EDC Treaty had been signed over two years ago and had not as yet been brought to a vote, because the French Government in power during this period which favored EDC did not believe that it had the strength to marshall a majority. M. Mendès-France said that he was working for an affirmative vote on a solution which would correspond as closely as possible with the present EDC Treaty. His efforts in this direction had not been helped by Spaak's initiative in calling a meeting of the EDC Foreign Ministers, [4] by Adenauer's statement [5] or by the publicity given the US–UK Working Group in London.

The Secretary then said that when he made his first trip to Europe after assuming office in January–February 1953, [6] he had

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[4] See footnote 2, Document 646.

[5] See footnote 3, *ibid.*

[6] For documentation concerning Secretary Dulles' visit to Western Europe, Jan. 31–Feb. 8, 1953, see vol. v, Part 2, pp. 1548 ff.

counselled other European countries subscribing to EDC not to agree to the French protocols until the French Government committed itself to act. Finally, on the basis of assurances of the French Government, the other EDC countries with U.S. urging had agreed to the protocols, and the French Government had postponed further action on ratification. The U.S. itself had made a commitment of the most far-reaching kind on the basis that the EDC would be brought to a vote. This had not happened. Mr. Mendès-France seemed to suggest modifying the existing Treaty. This, the Secretary felt, would lead to an unacceptable situation on the part of the four other countries which had ratified the Treaty or accepted it by the "contractuals." In particular if France reopened the EDC Treaty, Germany could be expected to reopen the Bonn and Paris agreements.[7] If any interpretations were envisaged, they must be strictly within four corners of the existing Treaty. Changes of a substantive nature would require all the countries to go back to their parliaments. Indeed, the U.S. and U.K. legislative bodies had taken action with respect to the Treaty, and if the French reopened the Treaty, we would have to consult further with the Congress.

M. Mendès-France said that he agreed with the Secretary about French procrastination and could not condone the action of past French Governments. He said that he must reiterate that his primary objective was to get a result which was not a negative result rejecting EDC. He implied that this could be achieved by agreed applications of the treaty rather than by formal amendments.

The Secretary said he wished to raise another point. He understood that M. Mendès-France believed that slender majority in the French Parliament would be unacceptable in that it would leave the country divided. The Secretary said that he wished to make quite clear that he believed that the essential thing was to have the EDC voted regardless of the size of the majority, and added laughingly "even if it is only one vote". M. Mendès-France replied that he did not believe there was a majority at present. Fifty-eight Socialists were opposed to EDC, and while some might vote for it as a matter of party discipline, at present the majority of these 58 would certainly oppose it. He said that even if he were wrong in this and there were a slight majority, he would not favor putting it to a vote if the majority was only that of a few votes. He said that the Treaty would have to go to the Council of the Republic "where there is a tremendous majority against it." Then it would have to

[7] For documentation concerning the agreements signed at Bonn on May 26, 1952, see vol. VII, Part 1, pp. 1 ff.; for documentation concerning the agreements signed at Paris on May 27, 1952, see vol. V, Part 1, pp. 684 ff.

be brought back to the Assembly where an absolute majority of 314 votes would be required to override the Council of the Republic. There was no hope of getting 314 votes. Therefore, his whole objective was to find an acceptable formula which would give a substantial majority in the Assembly. The Secretary said that he understood that the Constitution of the Third French Republic had been passed by only one vote. With respect to the U.S. Constitution, two of the key states, New York and Virginia, had ratified the Constitution by only one vote. He therefore felt that history proved that a very small majority in such matters did not indicate that the results would be disastrous. Mr. Mendès-France said that the issues with respect to the adoption of the Constitution of the Third Republic were oversimplified, and the Secretary said that he had only repeated what he had heard and was not an expert on this matter. However, he believed the reference he had made to the close votes connected with the adoption of the U.S. Constitution was approximately correct.

Mr. Mendès-France reiterated that the worst thing that could happen would be for the EDC to be rejected. Therefore, he would continue to strive for a formula which would enable its acceptance by a reasonable majority in the French Assembly. He recognized that this created difficulties for the European states which had ratified the Treaty, but felt that the long-term interests of all would be served by an arrangement which was acceptable to a reasonable majority in France.

Mr. Mendès-France concluded by saying that discussions relating to the Geneva Conference and Indo-China would take place at the dinner meeting with Mr. Eden. [8]

[8] For a record of this meeting of July 13, see vol. XIII, Part 2, p. 1819.

No. 649

751.5 MSP/7-2154: Telegram

The Ambassador in France (Dillon) to the Department of State[1]

TOP SECRET PRIORITY PARIS, July 21, 1954—5 p. m.

275. Limit distribution. Dept pass Stassen and Defense. Subject: Offshore procurement in France.

1. I assume there is no intention of placing any further OSP contracts, "follow-on" or otherwise, in France in near future. In view fact that outcome of French action on EDC will have substantial

[1] Repeated to Paris for USRO and USCINCEUR.

effect on our OSP policy, and in view reports that many directors and share-owners of French metal-working industry, including those of some plants working on OSP orders, are financing anti-EDC campaign, I recommend that we continue to delay placement (or the taking of any commitment short of signature) of additional OSP contracts in France pending outcome EDC debate. If any urgent cases should arise, I should appreciate it if no action is taken until cleared with me.

2. I suggest Washington's consideration that, if there is any risk of action by U.S. offshore procurement agencies in Europe that would run counter to policy outlined above, immediate instructions be issued by appropriate headquarters. Please advise.

3. Contents this message obviously delicate, imperative they be most closely held.

DILLON

No. 650

751.5 MSP/7-2154: Telegram

The Secretary of State to the Embassy in France [1]

TOP SECRET WASHINGTON, July 23, 1954—4:38 p. m.

298. Limit distribution. Pass USRC and Reinhardt.

1. Before taking action on your recommendation Embtel 275 [2] would be helpful have your views several aspects proposal not clear to us.

2. Assume you agree that fact of issuance instructions not sign OSP contracts in France almost certain leak to industrials and government. We uncertain whether you concerned only to prevent encouraging opposition by reward of contract while anti-EDC campaign at critical stage or whether you count on development suspicion that US in fact is deliberately withholding contracts. Manner in which instruction handled will depend upon effect desired; e.g. order to stop versus slowdown of current negotiations.

3. We inclined believe risk that such suspicions will develop worth taking and maximum effect achieved if such worry does develop, with of course no confirmation on US side that moratorium declared.

4. Assume you agree Department should request Defense not divert to other countries OSP orders which otherwise would go to France, pending outcome EDC debate.

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[1] Drafted by Vass and cleared with Tyler and Bonbright.

[2] *Supra*.

5. Have not yet obtained Voorhees view but preliminary discussions indicate Defense and FOA sympathetic your proposal.

DULLES

No. 651

751.5 MSP/7-2654: Telegram

The Ambassador in France (Dillon) to the Department of State

TOP SECRET PRIORITY PARIS, July 26, 1954—1 p. m.

332. Dept pass Stassen and Defense. Ref: Deptel 298 to Paris, July 23. [1] Subj: Offshore procurement in France.

1. Re para 2 reftel, the course of action which I have recommended is designed to encourage development of idea that French armament industry cannot expect go on profiting from OSP contracts if there is no EDC. The withholding of OSP contracts in present critical period is obviously necessary to implement this policy objective. As far as OSP operations are concerned, I suggest that no new discussions or negots with French contractors be instituted, that current discussions be put into suspense wherever possible, and, where suspension not feasible, they be slowed down as much as possible.

2. There is presently a fairly widespread belief in French Govt and industrial circles that placing of OSP contracts is already affected by EDC situation. This will be accentuated if French act on Stassen's suggestion to Faure during July 13 talk (para 8, Paris Tousfo 24, July 14 [2]) that OSP contractors be warned they cannot in present circumstances count on future contracts.

3. I do not see why we must assume that positive evidence of a stop order on OSP contracts for France will leak. I fully agree that suspicion will develop that a stop order has been issued, and this is necessary for desired effect, but all necessary measures must be taken to prevent any official confirmation of fact from U.S. sources.

4. Re para 4 reftel, I agree.

5. Director OSP, USRO, has raised question whether recommendation contained Embtel 275 [3] was intended cover service-funded contracts as well as MDAP-funded contracts. Answer is no, al-

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[1] *Supra.*

[2] This telegram summarized the conversation between Stassen and Faure in Paris on July 13. (FOA telegram files, lot W–130, "Paris Tousfo")

[3] Document 649.

though I hope that volume of former will be kept as low during the next month or so as operational requirements permit.

DILLON

No. 652

751.00/7-2654: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

CONFIDENTIAL PARIS, July 26, 1954—6 p. m.

348. Following is Embassy's appraisal of Mendes-France government's position after Indochina armistice.

1. Having won settlement within time he had specified and having brilliantly defended it before Assembly, Mendes-France is now in very strong position. He is receiving practically universal credit for having ended the war as well as recognition for his intelligence and purposefulness, but that does not mean that he is "popular" premier in sense in which Pinay, for instance, was popular. He is strong because country would want him to have his chance, not because country understands, let alone approves, what he now intends to do. As we indicated in Embtel 5069,[2] it appears he will have to move fast to exploit his present favorable position for erosion of power sets in quickly in French Parliament. The head of French Institute of Public Opinion gave us his estimate that Mendes' present strength in the country, and hence his present action potential in Assembly, would last three months at the utmost.

2. At present juncture, political power is vested much more in his person than in coalition which he controls. This is a new situation reminiscent of the earliest days of De Gaulle government and is of greatest importance since Mendes, in contradistinction for instance to Pinay, holds highly personal views both with regard to economic policy and EDC and within certain limits can at present make those views prevail even over opposition of important parties represented in his government. For instance, even though some of those parties may want to put off EDC debate until still another Four-Power Conference, Mendes would in our opinion have the political power to oppose such view successfully if he desired.

3. Mendes-France still does not have a solid coalition behind him and in fact situation in that regard has deteriorated since our last

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[1] Repeated to London and Bonn.

[2] Document 642.

appraisal. For time being, however, this is less bad for Mendes himself than for parties opposing him and for fortunes of EDC; for the two parties most strongly in favor of treaty, MRP and Socialists, are still not represented in govt and former has in fact drifted further away. Chances for Socialist participation have increased of late. MRP, while divided, still has strong majority led by Bidault which opposes him essentially for three reasons: (a) because Mendes continues to imply they were responsible for the mess in Indochina, (b) because they profess doubts about his fidelity to Atlantic Alliance and (c) because they wish to see what he will do with EDC. Nevertheless, Mendes–Bidault feud is unfortunate for EDC since MRP support could allow him to dispense with anti-EDC Gaullists. We have already discreetly indicated this view to MRP leadership.

4. As regards his general attitude in foreign affairs, recent weeks have brought greater clarity. He is receiving credit from nationalist and neutralist elements for having scored diplomatic "victory" over U.S. by bringing the Under Secretary to Geneva, but actually he has gone out of his way to stress his fidelity to basic concept of US-French cooperation and even scored against Bidault in assembly debate by showing relations are better now than when he came into office. However, he has placed distinctly stronger emphasis on Franco-British cooperation and we believe he can be expected to align himself for instance on British position with regard to tactics vis-à-vis Russians re Four-Power Conference. Very likely he would be closer to British position if there were US–UK disagreement.

5. Basic trends operating on present government have been (a) trend to cut Indochina losses and (b) trend away from right and toward left-center coalition. After Indochina armistice, we believe there is now also (c) trend running once more in favor of EDC. But due to fact that Mendes has introduced novel idea of "compromise", no government could now put up treaty without at least face-saving modifications. There is no reliable evidence up to now that neutralists or other "soft" elements have important influence upon him, let alone that there is trend in such direction. Rather, there is evidence that Mendes-France could on his part have important influence on such elements. Beuve-Mery, for instance, while pushing idea of four-power meeting on Germany, now takes position (*Le Monde*, July 22) that Germany cannot remain unarmed if there is not disarmament and that one cannot very well oppose German rearmament as long as Soviets arm Eastern Germany and prevent free elections. For Beuve-Mery, that represents considerable shift in position. (Today's *Le Monde* actually reconciles itself to early EDC debate despite pending Soviet proposals.)

6. Nobody knows just what Mendes-France will now do re EDC and Four-Power Conference but our first guess, in absence of other information, is that he may do exactly what he said he would do, i.e. formulate government position on "compromise", discuss it with five other EDC countries in next two weeks and then put the matter up to assembly before summer recess. Entire philosophy of his government is to maintain momentum, set time limits and apply pressure to meet his targets. He is not a man to delay decisions. On other hand, he (or any other likely French Premier) is not apt to oppose Four-Power talks. Tactics of time limits might also be applied, of course, to dealings with Soviets. Whatever he does, however, we do not anticipate that he will break united front of Western Powers even though he will act with self-confidence to which his recent performance entitles him.

DILLON

No. 653

751.5 MSP/7-2654: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, July 28, 1954—8:03 p. m.

368. Limited distribution. Pass USRO and CINCEUR for info. Defense cabling CINCEUR (copy Embassy) to carry out OSP policy France recommended Embtel 332. [2]

You will note instructions do not prevent solicitation bids from French firm as part any general invitation to bid which may be issued by US procurement authorities. Believe this in accordance your recommendation 1) policy not prejudice eventual receipt OSP contracts by France and 2) no positive evidence become available US stop orders on OSP France. With respect 2) impossible expect information would not become generally available which would be clear indication deliberate policy if US issued invitation bid to firms other European countries and not to those French firms which would normally have received invitations. Such conclusion inevitable in case items in follow-on category (major portion OSP program) which French firms already producing under prior year's contracts. You may comment on this.

DULLES

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[1] Drafted by Levy-Hawes and cleared with Kranich and Beigel.

[2] Documents 651.

No. 654

DMS files, lot W–1444, "France"

Memorandum of Conversation, by the Director of the Foreign Operations Administration (Stassen) [1]

WASHINGTON, August 4, 1954.

In response to a telephonic request from the Ambassador for an appointment, no hour during the day being available Stassen stopped in at the French Embassy Residence.

The Ambassador stated that he was concerned about the amount of aid to France; he stated that the Indo-China program to save the other two and one-half countries in Indo-China from Communism could not be carried out without American assistance, and that the French Expeditionary Force would continue to be needed there if the remainder was to be saved.

Stassen reiterated what he had told Finance Minister Faure in Paris on July 13th, [2] that the entire situation was now subject to renegotiation. [3]

The Ambassador stated he realized that this was the case and he wished merely to stress the importance of it.

Stassen then suggested that the final action of Congress on the Fiscal 1955 Program would affect it and since action was also pending on EDC, he presumed the best course to follow was to await the pending action in the Parliaments of both countries, then a governmental position would be developed by the United States Government and negotiations would be carried on the latter part of August and during the month of September to reach a conclusion.

The Ambassador stated that the Prime Minister would be meeting the other EDC country representatives next week and that without doubt EDC would be brought up for decision in Parliament before the recess.

HES

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[1] It was noted on the source text that this conversation took place at the French Embassy residence on Aug. 3, at 7:15 p. m. Copies of this memorandum were sent to Dulles, Smith, MacArthur, Merchant, Lloyd, and FitzGerald.

[2] This conversation was summarized in telegram Tousfo 24 from Paris, July 14. (FOA telegram files, lot W–130, Paris Tousfo)

[3] This renegotiation was necessitated by the Armistice Agreement signed at the Geneva Conference on July 20 after weeks of deliberation; for documentation on these negotiations regarding Indochina, see vol. XVI, pp. 414 ff.

No. 655

Secretary's Memoranda of Conversation, lot 64 D 199, "August 1954"

Memorandum by the Special Assistant to the Secretary of State (Hanes) to the Assistant Secretary of State for European Affairs (Merchant)

[WASHINGTON,] August 9, 1954.

The following subject was discussed during a conversation between the Secretary and Mr. Stassen on August 9, 1954:

France

Mr. Stassen pointed out that there were elements which would require a major financial and economic negotiation with the French some time in the fall. I said that at the moment I was anxious to create in France an awareness in high quarters of the extent to which they were dependent on the US. I thought this would be salutary from the standpoint of EDC.

No. 656

611.51/8-3154: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET NIACT PARIS, August 31, 1954—1 p. m.

897. Now French Assembly has rejected EDC [2] following general suggestions are offered re US attitude toward France in coming months.

1. Primary concern of US must be to do everything possible to develop the strength of the West by strengthening FedRep ties with West and maintaining Adenauer's position in Germany.

2. It will be far easier to obtain this result with French agreement than by taking unilateral or bilaterial action with UK over French objections.

3. Therefore every effort should be made to obtain French agreement to whatever actions may be necessary to accomplish objective in paragraph one. Obviously there should be no attempt to omit France from pertinent discussions or to isolate her. US Govern-

[1] Repeated to 23 European posts.

[2] For documentation concerning the rejection of the EDC Treaty by the French National Assembly on Aug. 30, see vol. v, Part 1, pp. 871 ff.

ment should refrain from statements or acts of clearly punitive nature directed against France.

4. If, as we expect, French prove unreasonable in negotiations re Germany, particularly in regard to rearmament, and US should be forced to act in concert with UK over French objections, our attitude toward France should be one of firmness and regret that France herself is not prepared to take the steps necessary to increasing Western strength.

5. If action outlined paragraph 4 is necessary, it should be made abundantly clear that we are not "abandoning France" or taking Germany as an ally to replace France but that door is always open to France to resume her active role among Western nations.

6. If France should make difficulties for US and UK in carrying out policies under paragraph 4 then and then only should US consider retaliatory action which could include (a) cutting off deliveries of end items (b) cutting off French dollar receipts as result of Indochina program.

7. Re off-shore procurement, French armaments manufacturers contributed in no small way to success of anti-EDC movement. They should not be rewarded for their action in putting selfish, short-range, interest and narrow nationalism above patriotism and for what amounts to acting in collusion with Communist Party to defeat EDC. Every effort should be made to place follow-on orders outside of France. Present status of ammunition contracts with deliveries running many months behind schedule offers good excuse for switch of follow-on orders to other countries which should be taken advantage of. Freeze on French off-shore orders should not be complete but orders should be reduced to nominal amount in those fields if any where no ready alternative source is available.

8. We should realize that we are entering a period of crisis where our policy must be attuned to events as they unfold. This will require a maximum of flexibility and recognition on our part that it is impossible to see our exact path through the storm. We must meet each eventuality as it arises as calmly as possible and above all must not give way to anger no matter how justified.

9. Finally, in our attitude toward the French in this period of crisis for Europe when the French Government and Parliament have failed us in our entire strategy to consolidate and strengthen the West, the following should constantly be borne in mind.

a. The vast majority of Frenchmen are deeply attached to the Western alliance including those who for selfish, nationalistic, or stubborn contrariness and pride in past glories have worked and fought successfully to destroy EDC and the European ideal.

b. In past history the French state and even the French as a people have appeared to have been finished but there have been

successive revivals. There is still great native intelligence and vitality here under a heavy layer of selfishness, defeatism, neutralism, negativism and cynicism. There are also encouraging signs of self-criticism and realism to off-set pride and delusions of grandeur. There is a fierce attachment to personal freedom and the value of the individual. This strength in the French character stands up against totalitarian communism but has proved almost fatal in organizing the disciplines and restraints required to set up a viable government capable of making important decisions. This is the tragic dilemma here now. It may be that it cannot be resolved and that we shall have to relegate France to the position of a museum in our future strategic planning. But the possibility cannot be excluded that France will pull herself together and resume the role which she is capable of playing in the spiritual, political and military fields. This we should do everything to encourage. If we should now "write off" France, our enemies here would rejoice and our many friends would be discouraged and bitter.

c. France is undoubtedly ill and the chart presently indicates high fever. Shock treatment is indicated, merited and sound therapy. But the voltage must be carefully controlled so as not to kill off the patient. We must reconcile ourselves to the probability that for some time, perhaps for some years, France will be the weak sister in the Western alliance but a quick glance at the map of Europe and North Africa still shows why we must in our own interests continue to exercise almost superhuman patience and forbearance during the next few months.

DILLON

No. 657

751.00/9–754: Telegram

The Acting Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, September 9, 1954—7:43 p. m.

896. Limit distribution. Bidault's attitude (Paris 1006 [2]) and Chancellor's (Bonn 698 [3]) on desiring see Mendes forced out of

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[1] Drafted by Fisher and cleared with Kidd, Merchant, Murphy, Matthews, and RA. Repeated to Bonn for action and to London for information.

[2] This telegram summarized a private conversation between Bidault and Dillon during which Bidault criticized Mendès-France and stated that the only real solution regarding German rearmament would be one which helped Adenauer and forced Mendès-France out of office. (751.00/9–754)

[3] For text of this telegram, dated Sept. 7, which summarized a conversation between Chancellor Adenauer and Conant on Sept. 7, see vol. v, Part 2, p. 1152.

office are understandable in light EDC rejection but are disturbing from point of view of accomplishing any solutions to problem German rearmament and German ties with West.

Regardless one's opinion Mendes, he is the one man in France we must deal with in coming critical weeks—his strength in French Assembly appears not greatly diminished and greater than any other potential Premier; furthermore, Assembly adjourned until November or when he calls it back and he does enjoy some latitude of action. To work for his downfall in hopes aftermath would provide answers seems destined destroy main chance for early solution involving French cooperation. His professed views on necessity German rearmament and rapid solution may be sincere in spite of his distorted perspective and all the mistrust he has generated. Truth should become apparent through his conduct rather quickly in coming weeks. While Bidault may prove to be right regarding Mendes being neutralist, former's approach also appears put internal political considerations above interests of France at this juncture (same accusation leveled at Mendes). For if Mendes does prove to be sincere and determined to push for early solution, and if he is not supported by men such as Bidault in efforts obtain parliamentary approval attempted solutions worked out in coming weeks, results would be extremely serious for entire Western Alliance and France in particular.

Believe foregoing points should be made to Bidault and at Embassy's discretion to Mollet, Pinay, Reynaud and other pro-EDC leaders who bound to be bitter at Mendes. Conant should also take advantage appropriate opportunity explain to Chancellor our views on necessity attempting do business in coming weeks with Mendes.

SMITH

No. 658

751.5 MSP/9-1454

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Secretary of State [1]

SECRET [WASHINGTON,] September 13, 1954.

Subject: The Various Aid Programs with France

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[1] Attached to this memorandum was a covering note indicating that copies were circulated to Merchant, Waugh, and Nolting, with the latter given responsibility for coordinating action for a reply.

At the Secretary's staff meeting on Sept. 15, Dulles mentioned this memorandum which Stassen had left with him during their meeting on Sept. 13 proposing a cut-

Continued

The major pending questions with France are of large magnitude and require renegotiations with France, and the decisions cannot long be delayed.

It is my suggestion that the United States now notify France that in view of the past Congressional attitude and in view of the fact that the contemplated program is not being carried out in either Indo-China or EDC, it is necessary that the United States aid program be suspended with France until such time as we can obtain an appropriate concurrence from the United States Congress.

This solution would have the effect of stopping the flow of dollars to France, which should be stopped for many reasons, and accomplishing this without a final sharp issue on these two complex interrelated aid problems.

The payments which would then be suspended would be those involved:

a. In the Fiscal Year 1954 $400,000,000 Indo-China War program.
b. In the Fiscal Year 1954 $385,000,000 Indo-China program.
c. In the end item deliveries from the United States for French national forces exclusive of spare parts which would be delivered nonetheless.
d. In the suspension of the substantial offshore procurement contracts which have been let for munitions and armaments intended for delivery to the French national army after production.

This action would keep faith with Congress and would place the Administration in a position to obtain better results from Congress in the future than any other procedure.

An essential part of this action would be the prompt movement of substantial aid direct to the Associated States of Indo-China—South Vietnam, Cambodia and Laos.

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off in aid. Dulles said that the memorandum did not cover many considerations, although he noted that both he and Stassen agreed that the United States must give some type of shock treatment to the French. (Secretary's Staff Meetings, lot 63 D 75, "September 1954")

No. 659

751.5 MSP/9-2154

The Acting Secretary of State to the Director of the Foreign Operations Administration (Stassen) [1]

SECRET [WASHINGTON,] September 21, 1954.

DEAR HAROLD: The Secretary discussed with me briefly the memorandum you gave him on September 13 [2] regarding the French aid program. I have considered your suggestions carefully and would like to make the following comments without delay, in view of the need to prepare for the talks with the French representatives here later this month. [3]

As you know, the Congress laid down two specific mandates affecting France in the current legislation: the requirement embodied in the Richards Amendment that MDAP supplies equivalent in value to the fiscal 1954–1955 programs be withheld from delivery, and the provision that to the extent possible aid in support of military forces in Southeast Asia should be given directly to the countries concerned. The Congress agreed, at a time the war in Indochina had already ended, to carry over and consolidate the unspent portion of the $785 million fund with the new appropriation, all of which is now designed to sustain the integrity and security of the remaining free areas of Indochina and the adjacent region. It seems to me that our purpose now should be to use these funds to carry out this policy by means and devices which we consider best suited to our national interests. It is to this end that we have prepared letters from the President for delivery to the Governments of Vietnam and Cambodia. It is also our view that we do not wish to see the French withdraw entirely from the scene at this time.

With regard to your proposals that the French Government be notified that the entire aid program involving France is being suspended, I would like to make certain specific comments, as follows:

1. Suspension of end-item deliveries to French NATO forces:

It is my understanding that the Department of Defense will automatically withhold deliveries as required by the Richards Amendment; but it is also my understanding that this will have no effect

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[1] Drafted by Beigel and cleared in draft with MacArthur, Nolting, Barbour, Robertson, and Claxton. Merchant sent Acting Secretary Smith a memorandum on Sept. 20 recommending that he sign this letter and briefly summarizing its contents; the text of this memorandum is in EUR files, lot 59 D 233, "France, 1950–1955".

[2] *Supra*.

[3] Reference is to the U.S.-French talks on Indochina which were scheduled to take place in Washington, Sept. 27–29, 1954; for documentation on these talks, see vol. XIII, Part 2, pp. 2080 ff.

upon deliveries to France until the present pipeline runs out, which may be many months hence. With regard to suspending deliveries in the entire pipeline of undelivered end items from previous French programs, amounting to some $1300 million, I recently proposed to Deputy Secretary Anderson that both SACEUR and MAAG/France be sounded out regarding the likely consequences of such an action on the military capability of the NATO forces. I believe that we should have this advice as well as the recommendation of the Joint Chiefs of Staff at hand before considering this matter further on political grounds.

2. Suspension of off-shore procurement contracts in France:

As you know, we have for the past several months withheld the letting of any additional contracts in France, and this situation continues to prevail, with certain exceptions in those cases where alternative sources may not be available. I understand that there are some $600 million in previous contracts let in France on which deliveries have not yet been made, contracts for end-items for NATO forces some of which may be delivered to forces other than in France. To suspend these contracts would appear to involve not only lengthy termination negotiations, but under the terms of the contracts would obligate the United States to make substantial termination payments to the contractors. I believe that the question of withdrawing contracts already let calls for careful consideration by the Department of Defense, taking into account the views of SACEUR and the JCS. The disruptive effects and implications for Western European defenses of suspending all the presently outstanding OSP contracts in France is of such major consequence that such a decision should be taken only after the most careful consideration by the NSC and the President.

3. Suspension of payments to France under the $385 million Indochina program:

The principal question remains of entering into negotiations with the Associated States to lay the basis for a direct aid program surrounded by the safeguards considered to be necessary under current legislation and policy. It is, however, important that there not be a hiatus in the flow of funds to the Associated States, which are so heavily dependent on external financing of their military forces. Although we will soon publicize our intention of channeling aid directly to these governments, we will not be prepared to enter into negotiations with them until we know more clearly and more precisely what military program we wish to see carried out in Indochina during the coming year. I have suggested that the Joint Chiefs of Staff undertake a study of these force goals, and this study is presently under way.

4. Suspension of payments to France under the $400 million Indochina program:

I understand that there is a considerable pipeline of French expenditures made before July 21 which are being processed for reimbursement and which are eligible for reimbursement under the present aid arrangements with France. Your memorandum does not indicate how you would propose to treat this pipeline, although I understand that, except for items which we may wish to declare ineligible retroactively, we would have a clear obligation to honor these payments. If we were to propose a suspension of all payments from the $400 million account henceforth as well as retroactive to July 21, such action would carry the clear implication that the sooner the French withdraw all their military forces from Indochina the better. It is not yet clear to me that this course of action will be the wisest one to follow if we are to safeguard the present free areas of Indochina.

It is my view that we should continue to support the French forces in Indochina during the remainder of 1954, but that we should be prepared to inform the French that we propose to suspend payments retroactive to July 21 on arms, ammunition and supplies being procured in France which may no longer be required in Indochina or which could not be delivered under the terms of the cease-fire agreements. I understand that approximately a third of the reimbursements from the $400 million portion, and a third or more of the reimbursements from the $385 million portion, are intended to cover payments for procurement. I believe that after reaching agreement in principle with the French on this, detailed negotiations should proceed in Paris to determine exactly what items will be affected.

Before reaching a conclusion regarding future support for the French forces, I have asked for the recommendations of the Joint Chiefs of Staff on the question of what French forces should remain in Indochina during the coming fifteen months. I think, however, that we should propose to the French that the forces retained in Indochina in the coming year to assure the security of that area, should be within the capability of France to support from her own financial resources. Should the French representatives take the position that without some assurance of continued United States support they will withdraw all forces as soon as possible from Indochina, and should we decide that such action would not be in our own national interest, we may have to take a different position.

It is my hope that we will have a fully developed position prepared on the many aspects of the Indochina question by the time

the French representatives arrive here later this month. However, we may not be fully prepared, particularly so with regard to the kind of military program we might wish to support in Indochina over the coming year. The forthcoming talks may therefore constitute an initial exchange of views, in which we should seek to learn from the French representatives what their current political and military plans and intentions in Indochina may be.

Sincerely yours,

WALTER B. SMITH

No. 660

611.51/9–2554: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

TOP SECRET PARIS, September 25, 1954—11 a. m.

1272. Mendes in preparation for difficulties he will face on return of Parliament has launched press campaign to effect that US Government in general and Secretary Dulles in particular are engaged in attempt to overthrow his government. [2] His obvious motive is to rally chauvinistic and nationalistic feeling to his side as he did so successfully after Brussels. I feel that this Mendes tactic must be borne constantly in mind and that no opportunity should be given him to imply that US or its representatives have treated France with anything other than correct politeness.

DILLON

[1] Repeated to London for the Secretary, who was there to attend the Nine-Power Conference, Sept. 28–Oct. 3, 1954; regarding this conference, see the editorial note, vol. v, Part 2, p. 1848.

[2] Mendès-France's anger at Dulles was partially due to Dulles' refusal to visit Paris on his brief trip to Europe, Sept. 16–17, during which he met with Chancellor Adenauer in Bonn and then with Foreign Secretary Eden in London; for documentation on Dulles' trip and Mendès-France's reaction to it, see vol. v, Part 2, pp. 1195 ff.

No. 661

Editorial Note

For documentation concerning the Nine-Power and Four-Power Conferences at London, September 28–October 3, 1954, see volume V, Part 2, pages 1294 ff. Included in that compilation is a record of

all the formal Nine-Power and Four-Power meetings as well as the bipartite meetings between the United States and French officials and tripartite meetings which also included the British.

No. 662

751.5 MSP/9-2954

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Secretary of Defense (Wilson) [1]

SECRET WASHINGTON, September 29, 1954.

Subject: Aid to France

The controlling National Security Council policy in the matter of aid to France [2] is that it be slowed down and that no new commitments be made under present circumstances. The Secretary of State has given further definitive guidelines as to the manner of carrying out this policy.

In the coordinated implementation of this policy, it is suggested that during the months of October and November, 1954, not more than approximately $15 million be paid to France in each month for offshore procurement outstanding contracts of all types.

It is suggested that the Department of Defense divide this $15 million ceiling each month among Army, Navy and Air, and that any claims for payment totaling more than this amount be delayed.

It is further suggested that the Foreign Operations Administration be advised at the end of each month as to the total of claims for payment that have been presented and on which the payment has been delayed.

It is also suggested that no new commitments for offshore procurement be made to France during October and November, 1954, unless it be very special items of small amounts, such as a spare parts follow-on contract and similar unusual circumstances involving small dollar payments.

It is anticipated that prior to the first of December, a further specific program of implementing the NSC policy will be prepared.

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[1] Copies of this memorandum were also sent to Secretary Dulles and Director of the Budget Hughes.

In a memorandum to FitzGerald, dated Sept. 29, Stassen instructed him to limit payments to France under the Indochina aid program during the months of October and November 1954 to $10 million each month and to delay any other requests for payments that are presented. (DMS files, lot W 1444, "France")

[2] Reference is to NSC 5433/1, "Immediate U.S. Policy Toward Europe," Sept. 25, 1954. For text, see vol. v, Part 2, p. 1268.

It is also anticipated that the policy itself or the guidelines under the policy may be affected by new developments in the interim.

It is further suggested that payments for United States military construction or similar items be kept at a minimum during the months of October and November.

For your information, the payments to the Government of France on the Indo-China aid matter will be limited to approximately $10 million per month during the months of October and November by the Foreign Operations Administration.

If there are any questions regarding this coordinated action, please advise promptly. The entire situation was thoroughly discussed at the Department of State in a conference participated in by Admiral Carney and other representatives of the Department of Defense on September 25th and September 26th. [3]

[3] No record of these meetings has been found in Department of State files.

No. 663

Editorial Note

Upon the conclusion of the Nine-Power Conference at London on October 3, the Governments of the United States and France initiated efforts to implement the Final Act of the Nine-Power Conference, while the French Government also intensified its efforts in the negotiations with the Federal Republic of Germany concerning a Saar Agreement. For documentation on these subjects, including the meetings in Paris on October 20–23 during which the protocol which emanated from the Nine-Power and Four-Power conferences and the Saar Agreement were signed, see volume V, Part 2, pages 1294 ff.

No. 664

DMS files, lot W-1444, "France"

Memorandum by the Deputy Assistant Secretary of Defense for International Security Affairs (Davis) to the Director of the Foreign Operations Administration (Stassen) [1]

SECRET WASHINGTON, October 20, 1954.

Subject: Aid to France

1. Reference is made to your memorandum to the Secretary of Defense, dated 29 September 1954, [2] subject as above, which was referred to this office for reply.

2. The National Security Council in their paper 5433/1, dated 25 September 1954, [3] established a policy that "under present circumstances and until the situation has been further clarified, slow down U.S. aid to France and make no new financial commitments to France." In implementing this policy, Department of Defense has forwarded memoranda to the Secretaries of the three Military Departments requesting that until further notice no new financial commitments be made to France and implementing action be taken without delay to slow down Mutual Defense Assistance Program shipments to France.

3. Based on a request by American Embassy, Paris, Department of Defense dispatched instructions to USCINCEUR on 27 July 1954 stopping all proposed awards on Mutual Defense Assistance Program/Offshore Procurement contracts to the Government of France or private contractors in France. These instructions also requested that current negotiations, if any, would be suspended and no new discussions of negotiations with French contractors would be instituted.

4. Thus, part of the action suggested in your memorandum of 29 September has already been accomplished. However, your suggestion that during the months of October and November 1954 legitimate payments due the French under our Defense contracts be purposely delayed is not favorably considered by the Department of Defense.

5. Serious objections have been raised by the three Military Departments concerning the implementation of this suggestion. Primarily these objections are:

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[1] Copies of this memorandum were sent to Secretary Dulles and Director of the Budget Hughes.

[2] Document 662.

[3] For text, see vol. v, Part 2, p. 1268.

(a) Increased administrative burden in administering offshore contracts.

(b) The integrity of our military contracting officers and the services they represent may be open to serious question by the French.

(c) Retaliatory action by the French, such as slowing down deliveries.

6. One of our compelling bargaining tools to obtain low prices and satisfactory delivery schedules from the French on existing contracts was every assurance by our contracting officers to the manufacturers that payments would be accomplished promptly to offset their short working capital position. To date prompt payments have been effected to the maximum extent practicable. Implementation of the proposed action would place our contracting personnel in a most undesirable position of being justly accused of breach of faith. The effect of this on our future contracting in Western Europe not only for Mutual Defense Assistance Program end items, but also logistical support of United States units deployed there, is readily apparent.

7. Retaliatory action by the French to perhaps hold back deliveries could be expected. We would then be confronted with the late receipt of urgently needed items as well as concurrent contracting problems generated by contract delinquencies.

8. For the above reasons, therefore, we would prefer not to delay payments under our existing French contracts. We are in agreement with your other suggestions and, as previously indicated, implementing action has already been initiated.

A. C. DAVIS

No. 665

Editorial Note

During a meeting with Secretary Dulles on September 14, Ambassador Bonnet raised the possibility that Prime Minister Mendès-France was considering attending several sessions of the United Nations in New York and inquired about the schedule of the President and Secretary Dulles during the first 2 weeks in October. It was agreed that both governments would seek to find satisfactory dates for Mendès-France's visit to Washington, probably in late October. (Memorandum of conversation by J. W. Jones, September 14; Secretary's Memoranda of Conversation, lot 64 D 199, "September 1954") When Bonnet discussed arrangements with Acting Secretary Smith on September 28, he stated Mendès-France's desire to visit Washington in November if it could be arranged. (Telegram Tedul

6 to London, September 28; 033.5111/9–2854) This proved to be agreeable to Secretary Dulles although Dulles noted that the shift in timing was probably due to parliamentary maneuvers and the desire to be absent at the critical period immediately preceding November 20, the last date when the overthrow of the government could automatically require general elections prior to the regular constitutional elections of 1956. For this reason, Dulles instructed that the invitation extended to Mendès-France be predicated upon the Prime Minister's own decision to come to New York for the United Nations meeting. (Telegram Dulte 6 from London, September 29; 033.5111/9–2954) In accordance with Dulles' instructions, the formal invitation was extended to Mendès-France on September 30; it was transmitted to the Embassy in Paris in telegram Tedul 15. (033.5111/9–2954)

In subsequent weeks the detailed arrangements concerning schedules and agenda were worked out with the French Embassy. Ambassador Dillon was emphatic in his opinion that the Mendès-France visit to Washington offered "a golden opportunity to overcome his [Mendès-France's] sensitivity regarding the critical attitude toward himself and his regime which he feels has been current in U.S." (Telegram 1824 from Paris, October 29, 033.5111/10–2954)

In preparation for these talks with the French, working groups were formed in the Department of State to draft position papers on a wide range of topics which were of mutual interest to France and the United States. Six sets of background and position papers were subsequently written concerning the following subjects: D 1 series, United States aid to France; D 2 series, European problems; D 3 series, North African problems; D 4 series, Indochina problems; D 5 series, other Far Eastern problems; and D 8 series, United States-French bilateral relations. No D 6 series or D 7 series papers were found in Department of State files. Copies of these papers are in Conference files, lot 60 D 627, CF 398.

The documentation that follows includes a comprehensive record of all the meetings held in Washington by Mendès-France. A complete set of the minutes of these meetings, the memoranda of conversation, and the telegraphic reports summarizing the talks, is in Conference files, lot 60 D 627, CF 398.

For the text of the welcoming statement made at Washington National Airport by Vice President Nixon on November 17 and Mendès-France's reply, see Deparment of State *Bulletin*, November 29, 1954, pages 804–805. For the text of the final United States-French communiqué, issued on November 20, see *ibid.*, page 804.

No. 666

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

SECRET WASHINGTON, November 17, 1954.

Subject: North Africa [1]

Participants: The Secretary
M. Mendès-France
Ambassador Bonnet
Livingston T. Merchant

M. Mendès-France having indicated during the ride from the airport to Blair House that he was anxious to start talking to the Secretary this evening, the Secretary called at Blair House at 7 p. m. The talk lasted for about ¾ of an hour covering a number of topics which are reported in separate memoranda. [2]

The Secretary opened the conversation by mentioning the fact that a delegation of 8 Arabs had called on him earlier in the day to insure (as he put it jocularly) that he took the proper attitude with the Premier on North African matters.

The Prime Minister responded by reviewing at some length the difficulties in the area. He said that he had tackled the problem of Tunisia first since he had always thought it was easier of solution than Morocco and that a successful result there would have a beneficial influence on the Moroccan problem. The difficulty he said came from internal extremists and terrorists who in turn were supported and encouraged from outside. He said that time after time the French had been on the verge of agreement with the Tunisians only to have them reopen the negotiations and increase their demands as a result of extremist activities. He spoke particularly of the role which elements in Egypt were playing in the affair and particularly asked the Secretary if he could speak to the Egyptians regarding this matter. The Secretary replied that he had had the impression that certain of Mendès-France's policies in North Africa had been frustrated in part at least by the resistance of certain French elements. He added that in connection with the Egyptian aspect he would be willing to speak to the Egyptians.

The Prime Minister expressed appreciation for this offer and then went on to deny that French elements in North Africa, who admittedly were extremely conservative, had in fact or indeed were

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[1] For documentation on North Africa, see vol. XI, Part 1, pp. 127 ff.

[2] *Infra* and Document 668.

in any position to sabotage his policies. He went on to say that whereas in times past he had felt that some of our officials in North Africa had been too friendly with nationalist elements, there had been as far as he was concerned not the slightest basis for complaint against actions of any of our people during the past year.

The Prime Minister then raised the subject of Libya. He said that there were a number of camps of terrorists maintained on Libyan soil which served as a base for attacks in Tunisia. He said the French knew exactly where they were and all the details but had been unable to get any corrective action by the Libyan Government.

The Secretary inquired if he had approached the British on this subject since it was an area in which they had large influence. Mendès-France said that he had and that while he knew the British ran Libya they had done nothing on this matter.

The Premier then spoke of a certain limited area in Southern Libya which was occupied by the French. He said that it had a strategic importance to them because of its relation to caravan routes in the area and the fact that it was astride of one of the main routes for infiltration into Algeria and Morocco. He referred to the fact that the French had been unable to negotiate a settlement of this disputed area with the Libyans, and that now they had received within the past few days a strong note from Libya stating that the French clear out of the area by December 31 of this year. The Premier said flatly that the French would not do so for the reasons he had stated and that he wanted us to be privately informed of the present status of affairs. He said that they would be sending Libya a strong note on this matter in the immediate future.

The Secretary inquired whether the French had any money since it had been his observation that base rights were directly related by the Libyans to payments in cash. The Premier replied that they had money but that did not seem to be the solution in this case.

No. 667

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

SECRET WASHINGTON, November 17, 1954.

Subject: Manila Pact [1]

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[1] For documentation on this subject, see volume XII, Part 1.

Participants: The Secretary
M. Mendès-France
Ambassador Bonnet
Livingston T. Merchant

The Secretary inquired of the French Premier what the prospect was for ratification by France of the Manila Treaty. M. Mendès-France replied that after careful study he had reached the conclusion that ratification by the French Assembly was not necessary for the Manila Treaty. He said others held contrary views, however. His intention is to send it in the immediate future to the Foreign Affairs Commission of the Assembly for information, study and discussion. After giving them sufficient time, possibly a month or so, to study it, it was his intention then for the Government to ratify it. This presumably would afford ample opportunity for the Assembly to take action itself on the Treaty if it should develop that the Commission believed this was constitutionally necessary. He did not indicate any doubt over the question of ratification although he indicated that he did not expect it until shortly after the turn of the year.

The Manila Charter, M. Mendès-France said, clearly required no Assembly action and he would sign it at once.

The Premier then raised the question of the proposal for a meeting in Bangkok in January. He said he had grave doubts as to the desirability of such a meeting, particularly if it were held at a Foreign Minister level. It might make difficulties for him in the Assembly since it could be construed as jumping the gun. He went on to say that he preferred, as apparently did the British, a tripartite meeting in Washington at which he would be represented by the French Ambassador.

The Secretary acknowledged the validity of the points made but emphasized that he had had in mind only consideration of procedural rather than substantive matters at any meeting prior to the Treaty coming into force. He said there was much that must be considered and decided concerning organization.

Mendès-France said that he would have no objection to working group meetings in Washington at the ambassadorial level and said that he understands this would be acceptable to the British.

The Secretary expressed the general understanding of the Premier's point of view but did not commit himself.

No. 668

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

SECRET WASHINGTON, November 17, 1954.

Subject: Indochina [1]

Participants: The Secretary
M. Mendès-France
Ambassador Bonnet
Livingston T. Merchant

During the course of the Secretary's meeting with the French Premier he raised the question of the 1956 elections in Indochina and inquired as to the Premier's attitude as to the form and manner in which they might be held.

M. Mendès-France replied that he felt it was too early to speak with any finality on this subject and that much would depend upon conditions at the time. His present view was that the elections should be broken down into small local units rather than held on any national scale for a national set of candidates. In the latter case he said it seemed clear that Viet Minh would win whereas he believed that if the voting was by precinct or county, good local leaders if found and supported could do a great deal in their own districts between now and 1956 and thereby assure victory for anti-communist candidates in many areas.

Mendès-France then said that the French were continuing to support Diem and they intended loyally to cooperate with the Unites States on our agreed policy. He noted, however, that he had only limited faith that Diem had the capacity to succeed. When the Secretary asked him whom they had in mind as a replacement, Mendès-France confessed that this was the great difficulty in that there seemed no logical successor. He refused, however, to consider this fact as justification for regarding any man as indispensable or irreplaceable. The Secretary then urged him to find time to talk to Senator Mansfield which it was agreed would be worked out after dinner tomorrow night. The Secretary referred to Senator Mansfield's knowledge of the area, his great influence in the Senate and the firmness of his conviction that Diem was our last and only hope.

The Secretary went on to say that from our reports from General Collins, he and General Ely were working extremely closely and

[1] For extensive documentation on Indochina, see volume XIII.

well together. He asked if the Premier had received any reports from his people since the arrival of General Collins in Indochina. M. Mendès-France said that some reports had just come in but that he had not yet read them. He mentioned the Collins minute, which he described as "controversial". The Secretary suggested that the Premier go over his own reports overnight so that they could compare notes the following day.

At this point Mendès-France raised with emphasis the importance of giving the Viet Minh no pretext for reopening hostilities. He said that their strength had been built up since July whereas the Viet Namese National Army had suffered desertions. He also referred in complimentary terms to General Hinh and his position of influence in the army. In reply to the Secretary's question he expressed ignorance as to whether or not Bao Dai's recall of him was the result of French suggestion and pressure. Mendès-France said that the military position of the French in Indochina was weak and that they were in no position to halt an invasion of South Viet Nam if the war started again. In consequence it was important that the Viet Minh be given no excuse for breaking the armistice on grounds that our side first breached it.

The Secretary replied that he agreed completely that the armistice should be lived up to scrupulously; that the United States had publicly stated that it would respect it and that it would take no action which in our judgment would violate the terms of the agreement. He went on to say in certain aspects the agreement was vague and ambiguous and that we were not aware what, if any, agreements as to its interpretation might have been reached in meetings to which we have not been a party.

The French Premier then said that he wished to raise two specific matters of aid, concerning the details of which he believed we had been informed by our MAAG in Saigon. The first was helicopters. The situation in Northern Laos (which he described at some length) was extremely disturbing and Foreign Minister Pearson in Ottawa had spoken to him of the difficulty of getting the Commission into the area because of lack of transport. He said that the ground was such that helicopters were the only means by which the area could be covered. The Secretary promised to look into the matter but inquired whether light planes such as we have used in Korea might not be the answer, particularly since he understood that helicopters were in short supply as well as extremely expensive.

The second request of the French Premier was for spare parts for American planes in French hands but now grounded in South Viet Nam. The Secretary agreed likewise to look into the status of this request.

M. Mendès-France then reverted to his concern over a possible rupture of the armistice by the Viet Minh if they were given any plausible excuse. He said he was worried over the thought of granting additional military aid to any of the 3 Associated States. He was also concerned over any plans involving an increase in our MAAG mission. He reiterated his belief that we should all act with extreme caution.

No. 669

Conference files, lot 60 D 627, CF 398

United States Minutes of the Opening Meeting of President Eisenhower and Prime Minister Mendès-France, at the White House, November 18, 1954, Noon [1]

SECRET

Participants

US	*France*
The President	Prime Minister Mendès-France
The Secretary	Ambassador Bonnet
Ambassador Dillon	M. Seydoux
Mr. Merchant	M. Soutou

The meeting began with the exposé by M. Mendès-France of the ratification prospects for the Paris accords. [2] M. Mendès-France said that the treaties had been submitted to the National Assembly and that the Foreign Affairs Committee had appointed as a *rapporteur* General Billotte, who was favorable to ratification. M. Mendès-France said that he had set a deadline for Assembly ratification before the end of the year, although he could not guarantee the exact date on which it would take place. He emphasized that action by the Assembly would in effect be final acting, as the Assembly has the final authority in France. M. Mendès-France said that the French Senate would take the treaties up immediately after the Christmas vacation and would vote on them before the 15th of February. He said there would be a large favorable vote in the Senate. In the Assembly he said that the debate would be difficult and there would be no doubt on the results. He estimated that he would

[1] Drafted on Nov. 22. These minutes, along with a cover sheet and a brief index, were circulated as document MFT Min 1. A summary of this conversation was sent to Paris in telegram 1873, Nov. 21. (396.1-PA/11-2154)

[2] For documentation on the Paris accords, signed at the conclusion of the Nine-Power and Four-Power Conferences in Paris on Oct. 23, 1954, see vol. v, Part 2, pp. 1294 ff.

lose not more than 40 votes, compared to the preliminary vote in October when there were 360 favorable votes. M. Mendès-France said he was sure that he would receive an absolute majority, which would be in the neighborhood of 320 to 325 votes in favor of the treaties. The maximum of the vote against the treaties would be 260 provided the MRP voted against the treaties. If they merely abstained, the vote against the treaties would of course be much smaller.

The President asked why the MRP were opposed to the treaties, and M. Mendès-France answered that their opposition was primarily based on internal political reasons, namely their opposition to his government, but that it was also based to a lesser extent on their great attachment to the EDC.

The Secretary then asked for M. Mendès-France views about the ratification situation in Germany. M. Mendès-France replied that he thought the situation in Germany would be satisfactory. He said that Adenauer was having some trouble on the Saar but that that had been expected. M. Mendès-France said that the French were trying to help Adenauer and in the recent talks between Blankenhorn and Soutou [3] they had given the Germans a number of things which they had requested. For instance, they had agreed to international supervision of the referendum by a commission composed of all the representatives of the Western European Union treaty, except France and Germany. Mendès-France said it was impossible to change the basic Saar agreement but that they were doing everything they could to help Adenauer on procedural questions connected with the implementation of the agreement.

The Secretary then commented that he had observed a better atmosphere of Franco-German understanding at the London and Paris conferences than he had seen in the past. M. Mendès-France said it was necessary not only to have a complete Franco-German reconciliation but that it was also necessary to have close Franco-German cooperation in all fields, particularly the economic. In this connection, Franco-German economic negotiations would start on November 23.

The President then stated his belief in Western Europe and said that it should be the third great force in the world. All that was necessary was close cooperation between the various countries of Western Europe. He said that the US was related by culture and blood to countries of Western Europe and in this sense was a product of Western Europe. For this reason we favor a strong Western Europe.

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[3] For reports on the Blankenhorn–Soutou talks, see vol. VII, Part 2, pp. 1403 ff.

The President then said that within Western Europe the one major problem has been the age-old Franco-German problem. He said that he was all for Franco-German *rapprochement* and had been very pleased at the London and Paris accords. He said that he applauded them and particularly the fact that Great Britain had thrown in her lot with the Continent.

M. Mendès-France then said that he would like to mention two items concerning the Saar. First, the Saar agreement with Germany provided that the two countries would jointly ask the US and the UK to guarantee the agreement up to the peace treaty. The Prime Minister said he realized that there were some Constitutional problems involved but he understood that a wording somewhat along the following lines might be possible: "Any violation of this agreement would be a grave threat to the peace and we would have to consider the situation arising from such a violation". The Secretary said he thought it would be possible to work something out along this line. The Prime Minister then emphasized that it was not only a question of aggression against the Saar but would cover the whole of the treaty. The President then said he saw no reason why something satisfactory could not be worked out by the experts. Mendès-France said that this was satisfactory to him.

M. Mendès-France then took up the second Saar problem and said that France would like the US to agree to support the present Saar settlement at the peace treaty. He said that the US and the UK had agreed on such a course in the past and in particular he cited statements by Dean Acheson on January 18, 1950, [4] and by Ambassador Dillon on June 8, 1954. [5] The Prime Minister said he would like these to be confirmed by the US. The President asked what the Prime Minister's idea of a time limit would be on this commitment and Mendès-France replied that the commitment might last 100 years or so. He said that he had no idea how long it would last and it would have to be regarded as indeterminate. However, he pointed out that it was most important that the US take such a commitment, as otherwise the French Assembly would feel that the Saar settlement was precarious and fragile instead of a permanent settlement. He admitted that such a pledge by the US might be difficult for Germany, but he said that the Germans knew that France intended to make this request. He then pointed out that the settlement at the peace treaty would be subject to agreement by the population of the Saar in a referendum and stated

[4] Reference is to a statement by Secretary Acheson at a press conference in Washington on Jan. 18, 1950; he said that "the political future of the Saar is a matter which should be determined by the peace treaty which will conclude the war with Germany." (ON files, lot 60 D 641)

[5] Not further identified.

that this provision meant that we would not be forcing a solution on the Saar population if we agreed to the French request.

The President said that this raised a real Constitutional problem, as he could not make a commitment of this nature which was not approved by the Senate and which would be binding on his successors. The Prime Minister said that he had never heard before that there was a Constitutional problem involved here, and he read the statement made by Dean Acheson on January 24 [*18*], 1950. The Secretary then pointed out that Dean Acheson's statement was the reason why a Constitutional issue had been raised. He pointed out that Dean Acheson's statement was not binding on the present administration, that was presumably why the French wanted a new statement, but any new statement that he would make would not be binding on future Administrations. The Prime Minister then reiterated the importance of this matter and said that it would be raised certainly in the French Parliament during the course of the ratification debate. M. Mendès-France then read from a Memorandum of Conversation between Ambassador Dillon and Maurice Schumann covering a conversation held on June 8, 1954 in which, according to Mr. Schumann, Ambassador Dillon had given assurances that the US would support the Saar agreement at the peace treaty, provided the EDC came into being. M. Mendès-France also pointed out that such an agreement to support the settlement at the peace treaty was a basic part of the Van Naters' report on the Saar, [6] which had greatly influenced the present Saar agreement.

The Secretary then pointed out that the situation was different at that time under the EDC. The Germans and the French then both wanted the Saar to be permanently fitted into the European framework. The present settlement, he stated, was good but not as good, and the present agreement asked only for a US and UK guarantee up to the time of the peace treaty. M. Mendès-France interrupted to say that the French have always and still do want a definite settlement. He pointed out that their original position had been a flat one that the settlement would have to be definite and final and that they had only modified this position to accommodate the Germans so as not to prejudice the consideration of the German frontiers in the East at the peace treaty. However the French attach great importance to the present settlement being definite.

The President then said that while he felt the French certainly had the right to take our past statements at face value he thought it was most important that we do not make Adenauer's task more

[6] Regarding the van der Goes van Naters report, which recommended the Europeanization of the Saar, see vol. VII, Part 2, p. 1452.

difficult. M. Mendès-France said that he agreed that we must make things as easy as possible for Germany, but on the other hand he felt it was vital that the Saar be permanently removed as a bone of contention between France and Germany. The Saar must be a finished subject that would not rise up again to plague Franco-German relations.

The President closed the discussion by saying that he agreed in general that it was better to tidy things up and settle them but that in this case we must look out for Adenauer's interests and must try to be helpful to both sides.

No. 670

Conference files, lot 60 D 627, CF 398

United States Minutes of the First Plenary Meeting Between United States and French Representatives, at the Department of State, November 18, 1954, 3 p. m. [1]

SECRET

Participants:

US

State
The Secretary
Mr. MacArthur
Ambassador Dillon
Mr. Robertson
Mr. Merchant
Mr. McCardle
Mr. Young
Mr. Nolting
Mr. Jones
Mr. Fisher
Mr. Beigel

Defense
Assistant Secretary Hensel
Admiral Davis

FOA
Governor Stassen
General Porter

France
Premier Mendès-France
Ambassador Bonnet
M. Juniac
M. Roux
M. Boris
M. Cheysson
M. Soutou
M. Perouse
M. Millet
M. Andronikof
M. Froment-Meurice

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[1] Drafted on Nov. 22. These minutes, along with a cover sheet and a brief index, were circulated as document MFT Plenary Min 1.

Press Briefings

The Secretary proposed that for purposes of assuring a common approach to press briefings, representatives of both sides discuss the line to be taken with the press immediately after the meeting. It was agreed that Mr. McCardle, Mr. Merchant, Mr. Robertson would meet with M. Millet and Froment-Meurice for this purpose. It was proposed that a communiqué drafting group also get together after the meeting, and it was agreed that M. Jones and M. Soutou would do this. It was also agreed that M. Mendès-France would arrive for the meetings about 10:15 Friday morning and the Secretary would be there shortly thereafter as soon as he could get away from the Cabinet meeting. It was agreed that the afternoon discussion would start with the subject of Indochina.

Indochina

M. Mendès-France, at the Secretary's suggestion, began the discussion by referring to the September meeting in Washington in which M. la Chambre and General Ely participated, and at which time agreement was reached on basic policy toward Indochina. [2] He said the French still maintained the same position and were working to achieve the agreed objectives. He said that there had been new developments since then but they had not changed the general picture. He said he believed that the French have special responsibilities in the area, they have been there a long time and can be helpful in the future. He said that as a result of the Geneva Conference, the French have special rights with respect to the area which other countries do not have. This was important, for if the U.S. rather than the French took certain measures, this might be subject to considerable criticism from the other side.

Collins' Statement

Premier Mendès-France said that he had seen in the newspaper that morning the declaration to the press of General Collins proposing measures which might well bring protests from the Communist side. He said he thought it was extremely important to offer the Communists no pretext for alleging that a breach of the Armistice had taken place, a point which he had made to the Secretary Wednesday evening. From what General Collins said concerning the military responsibilities that the United States was prepared to undertake, it was apparent that French responsibilities were to be decreased and to disappear finally, these responsibilities to be taken over by the United States. He said that the French need to

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[2] Reference is to the U.S.-French talks on Indochina which took place in Washington, Sept. 27–29, 1954; for documentation on these talks, see vol. XIII, Part 2, pp. 2080 ff.

know what the U.S. policies are, whether the United States had the intention of taking over French responsibilities. He said he had to explain to the French people why they should still support a heavy burden with regard to Indochina, and if they get the impression that there is no utility in carrying such a burden, there may be strong reactions.

Premier Mendès-France said he felt no steps should be taken by the United States without there being full consultation. He said that the French always avoid presenting the United States with any accomplished fact. He pointed out that there had been no consultation prior to the declaration of General Collins and he described this as not being a good procedure, and expressed the hope that there could be full consultation in the future.

Premier Mendès-France said that with regard to Asia as a whole, the French accept the United States as leaders of the Western community and have decided to follow the U.S. lead there, being particularly aware of the various responsibilities the U.S. has in the area. But, he said, the French need to know what the United States' intentions are. He said that the French have many decisions to make and need to know where the United States is going. Before going into specific points with regard to Indochina, he said an understanding was needed on various general matters there.

The Secretary stated that the U.S. realizes the French preoccupations with these matters and is aware that there is greater sensitivity regarding actions taken by the United States in Indochina than perhaps would be the case when such actions are taken by the French who have an accepted stake in the area. He said that any armistice can have many interpretations, some of which might be rather extreme. He said that one should not necessarily refrain from doing anything the other side might possibly claim would be inconsistent with the armistice since virtually anything could be so claimed. He emphasized that the U.S. had no desire to do anything that was provocative.

The Secretary said he was not aware of General Collins' statement, not having seen the newspaper, and that this was the first knowledge he had of it. He said he would agree there should be consultation before any statements are made that would affect each other. He said he appreciated what Premier Mendès-France said regarding United States responsibilities. He said the U.S. was aware that the common objectives could not be achieved without close cooperation, that French participation is needed in programs on which there is agreement. He said the U.S. has never thought of disregarding the interests of the French people, and that without the French there would be a vacuum in Indochina which enemy forces would rapidly fill. He said it was important that there be as

much agreement as possible on long-term objectives. He said there was a feeling in some quarters that in the end some compromise and cooperation between the North and South Vietnamese would be inevitable. He said the U.S. would be willing to listen to any arguments along this line but that the U.S. is not itself disposed to accept this thesis, which the U.S. felt would inevitably result in the loss of the area to the Communists.

US Views on Indochina Situation

The Secretary said that frankly the U.S. faces the problem of what is worthwhile for the U.S. to contribute in money and effort in view of the possible outcome in Vietnam, and we wonder whether a similar amount of money spent elsewhere would accomplish better results. He said we need to evaluate the chances of success and agree to what we mean by success. If the Vietnamese [*Viet Minh*] were to get a majority control in a national government, the minority would not long survive. He said that the object should be to build a strong and anti-Communist Government in South Vietnam, one not seeking accommodation with the Viet Minh.

With regard to the French in the area, the Secretary said that the U.S. view, which he was expressing because he had been asked to do so, was that authority in the government, the military, and the police forces should as rapidly as possible become indigenous. He said that if the French pulled out now, there would be a vacuum, but as local forces were built up we would assume that some phase-out of French forces would be desirable, and he assumed this was also what the French desired. He said he thought the French view must be much like that of the U.S., that it is desirable to create a mobile strategic reserve through such actions as gradually withdrawing forces from Korea. He said the U.S. hoped to extend that strategy to other areas as soon as local forces are ready to take over.

The Secretary said that obviously forces need a good government under which to serve, and there was the problem of the present government. He said that he believed a government around Diem was the best that could be done. He said he realized Diem's weaknesses, but on the other hand Diem had a strong spirit of nationalism without any feeling, sometimes found in the area, that Communism should be accepted to achieve nationalistic goals. He said that Diem was dedicated, sincere and honest, and was actually the head of the government at the present time. He said that the U.S. is prepared to support Diem strongly if the French are also prepared. He said there was no use in the French and U.S. working in different directions, that in order to accomplish anything they must work together.

With regard to a phase-out of French forces, the Secretary said he was not in any way referring to a diminution of French commercial and cultural interests in Indochina. He said that these were rooted and deserved to be a more or less permanent part of the society. He said that the U.S. welcomes this and had no desire to supplant the French in this respect. He said that if there was any evidence of any contrary views among Americans, he would like to know about this and he would take steps to eliminate it.

Mendès View on Indochina Situation

Premier Mendès-France said that with regard to the present Government the French had agreed in September to support Diem as a trial, although they were not very optimistic about his abilities. He said the French were surprised that some of the U.S. officials seemed to have had a different view of French intentions, but he believed that matter was cleared up now. He said with regard to the Secretary's question Wednesday evening [3] he had checked and found that the French had pressed Bao Dai to have General Hinh called back to France and this was further evidence that the French had done their best.

The Secretary said that when he spoke about this in Paris [4] there had been some concern about some of the lesser officials but that this concern had dissipated and he could say now that the U.S. feeling was without any reserve that the French were actually working with the U.S. in supporting Diem.

Premier Mendès-France said that the French will continue to support Diem but he felt that the French and the U.S. might be obliged in a few months to consider a replacement. He said he had no one to propose at this time but wished to point out that some of the Vietnamese who had worked with the French in the past had made much better records than has Diem. He said that Tam, although considered too close to the French, had achieved results in clearing provinces and in establishing the national army. He said that in some provinces at the present time there were some Vietnamese governors who were quite efficient, that two or three had done quite well and had the situation well in hand, which proves that such good men do exist.

Premier Mendès-France said he believed that the French and the U.S. should now give Diem some specific advice, particularly in regard to agrarian reform, concerning which promises had been made long ago and nothing had been done, whereas the Viet Minh

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[3] For a record of this meeting which took place the previous day, see Document 668.

[4] Reference is to Dulles' meeting with Mendès-France in Paris on Oct. 20; for a record of this conversation, reported to the Department of State in telegram Dulte 5 of Oct. 21, see vol. XIII, Part 2, p. 2147.

had achieved results and had a propaganda advantage thereby. Also, he said, Diem should be advised to establish an efficient administration and not to concentrate solely on the situation in Saigon, which, after all, the Army could hold, while the important problem is the control of the situation outside of the city. With regard to the propaganda, he said the Viet Minh was doing very much whereas in South Vietnam nothing was being done; he understands that the U.S. has lots of money for this purpose but that Diem was not using it efficiently. He said propaganda should not emanate from the U.S. or from the French but from the Vietnamese themselves.

He said that Diem should be given only a certain amount of time to act on such a program, for time was short. The U.S. and France might then consult every month or two to see what type of concrete action Diem had taken.

U.S. Technical Assistance

Premier Mendès-France said that with regard to the French role in Indochina, he appreciated what the Secretary had said, but he felt that in many situations the local U.S. authorities had not always acted consistently. This he said made a bad impression, even among the French troops there. With regard to cultural matters, the French were surprised that the U.S. are proposing to send Vietnamese officials to the U.S. for training; this was not in the French language and thus was not useful and not urgent. He said that in Vietnam and Cambodia an American university was interested in establishing an administrative training school. He said he did not see the reason for this. He said that administration was conducted by French methods, and training should be consistent with them. He said that the French had this view not for any selfish reasons, but he did not believe it was in the mutual interest to give the impression that on a long term basis the U.S. was replacing France. This, he said, created a bad impression in Indochina and in France. He said a French Parliamentary Commission representing a number of the parties had just returned from Indochina and had expressed concern about these developments. He said this problem also comes out in the matter of military training. He said all of this gives the Communists a pretext, a basis, on which to start again hostilities.

Premier Mendès-France said that in September it was agreed to set up tripartite coordinating committees in Indochina, but they had never been set up, and aid programs had not developed on a coordinated basis.

He said that with regard to the future and the matter of cooperation between North and South Vietnam, he felt the same way as

the Secretary did, that such cooperation would be very bad. He said that at Geneva the Communists proposed many tricks in proposing certain bipartite relations between the North and the South but that the French had fought against it. He said he thought the only thing that could be done was to develop political strength in South Vietnam as a counterpart to the North. He said that even if it is not as strong as the North, if there is real political life, something could be hoped for, although he didn't know exactly what. As long as there was disorder there would be infiltration and no counterpart to the North.

Mr. Stassen said that technical exchange programs such as those for Indochina were not intended to reduce the interests of any other nation. He cited India as an example, where the U.S. is definitely not trying to reduce the interests of Great Britain. He said the aim of the program in the Associated States was to increase the abilities of the local leadership, and he assumed that this paralleled similar activity of the French. He said that perhaps more consultation was needed but he was not aware that the problem existed. He said the program was the same as in 41 other countries.

Plea for US-French Coordination

Premier Mendès-France said that Indochina should be considered as a special case and special caution should be exerted to avoid misunderstandings. He said that with regard to this administrative school there would be a political result, depending on whether the French or the U.S. did the training. He said he insisted that this concern was not based on selfish reasons but on common interests. The Secretary said that the U.S. programs were not thought of as a political instrument, that the U.S. was interested in the area for only one reason, that if it fell it would affect the security interests of the United States. The Secretary said that as he understood it, there had been no specific agreement in September on the appropriate machinery for coordination. Mr. Robertson said that the principle of coordination to avoid duplication or overlapping, and direct aid, had been agreed upon, but that so far no machinery had been established, as U.S. aid programs had not yet been developed. Premier Mendès-France said he believed there should be coordination in the planning of programs, not just their execution. Mr. Robertson said he understood there had been close coordination between Ambassador Heath and General Ely. Premier Mendès-France said the French often heard indirectly about certain U.S. activities and that it would be useful in the future to have more coordination. He said that it might be done on the spot or in Washington, as the U.S. preferred. The Secretary and Mr. Robertson said they believed it should be done on the spot, and Premier Mendès-France said he agreed.

The Secretary said that perhaps the first thing to do was to find the local people that should be dealt with in the three States, have an understanding on this point, and initiate coordination through them. Premier Mendès-France asked if the U.S. objected to having committees. The Secretary said that perhaps it was a matter of semantics, but he thought the people could get together periodically and perhaps this could be called a committee. He said that he did object to formal standing committees with minutes et cetera through which every matter would have to be cleared. He said he would not want our activities limited to committee action nor to have to go through those formalities.

Premier Mendès-France said it was dangerous to give the feeling to the Indochinese that they can play the French and Americans off against each other. He said the French would prefer formal procedures. The Secretary said the two representatives should keep closely in touch with each other and that sometimes they might wish to consult before approaching the local government, and that sometimes matters might be taken up individually. He said he liked flexible procedures. He said he did not want to evade the substance of what was agreed to in September, that he would agree on this again. He said he did not want duplication of effort or to give the Vietnamese an opportunity to play one against the other. He said, however, that the situation was not sufficiently clear to name now a special committee; particularly in the beginning to maintain as much flexibility as possible. Premier Mendès-France said some of the Indochinese tell the Americans that the U.S. is popular and that the French colonialists are unpopular, whereas they say to the French the opposite, that the French understand their problems whereas the Americans were troublesome. He said perhaps some of the Americans believed what they were told and he thought they should be warned against this.

The Secretary said he would see that the people in the field were instructed to take steps to set up the necessary machinery for coordination.

UK Participation in Aid Programs

Premier Mendès-France said he had mentioned previously the possibilities of UK participation in aid programs, and the matter of relation between what is done in Indochina and the Colombo organization. The Secretary said he had no objections to the UK participation. He said, however, that if there were formal committees, that if the UK came in, certainly Australia would want to come in as well as anyone who had an interest in the area. He said a committee would become far too large and complicated to get anything done. He said that instead the U.S. and France should keep in touch with all who are willing to do something in the area. He said

perhaps eventually there might be some coordination of effort with regard to Indochina programs under the Manila Treaty where there would be some more formal setup, but formality should be avoided in Indochina now where the situation is more urgent.

Cut in FEC

Premier Mendès-France said the French had given the U.S. their military plans as they stand now, which involve forces of 150,000 to be brought down to 100,000 at the end of next year. He said it was necessary to have that strength in Indochina. He said General Hinh was popular with the Army, that General Ely warned that his departure might result in incidents. He said what was important was whether the Army will have any new recruits. He said he also understood the U.S. was considering setting up another Army solely for internal order directly supporting the Government. He said this would be a delicate matter and that this would result in a weakening of the regular Army which, if fighting broke out, would be needed particularly if the French were to withdraw. He said the French preferred to expand the regular Army.

Spare Parts

Premier Mendès-France said, concerning the French Army, that he had spoken some time ago about spare parts for aircraft which were grounded. He hoped there would be a satisfactory reply soon. He said that with regard to financial aid, he was not prepared to discuss it but rather that the finance people of the Embassy would be prepared to discuss the matter. He said that M. Faure had understood that by the end of November there would be a response and that he would be very happy to know the answer. He said he hoped that the support given in the past would be continued; even though aid had been in support of military operations which had ceased nevertheless the present political need to maintain security in Vietnam was exactly the same as before.

US Training Mission

Premier Mendès-France said, with reference to training, that what General Collins had said indicated that eventually the U.S. would have all responsibility and that the U.S. intended only temporarily to use French help. He said this must be avoided. He said this would cause many inconveniences and in particular would give pretext to the Viet Minh.

Helicopters

Premier Mendès-France said that with regard to helicopters he wished to record what he had told the Secretary Wednesday night concerning the need of 6 of these planes for the Internal Control Commission. He said Mr. Pearson in Ottawa had urged him to insist on this matter, particularly because of the need for the Commission to get into northern Laos.

Aid to FEC

The Secretary said that our experts would be glad to talk to the Embassy Financial Attaché with regard to a contribution for the French Expeditionary Corps. He said, however, that such talks must be tentative because the U.S. must consider the minimum total cost of what is worthwhile doing. He said that in view of the odds against success, the U.S. may not wish to enlarge the stake. The U.S. needed estimates of various kinds concerning the cost of aid to the French forces, of training a national army, and the requirements for economic and technical assistance. He said that if it was a big sum, it perhaps might not be worthwhile doing. Consequently, any commitment would be subject to a total review of the program.

Mr. Hensel said there was no plan to establish any separate new army. He said the U.S. was considering whether what was needed was forces for internal security plus reliance on the Manila Pact and our own resources, or whether it was necessary to build forces to retard invasion; it was more a question of the character of the national army, that there would be only one force. He said General Collins and General Ely had hard discussions along these lines.

With regard to spare parts, he said he had no information that planes had been grounded whose use was necessary. He said he would have to take into account the balance between use of planes and the availability of spare parts.

With regard to helicopters, he said that the U.S. had no appropriated funds to supply the Control Commission and he moreover was not clear as to the availability of such planes. Ambassador Bonnet said that the request was to supply the French who in turn had the responsibility to provide the Control Commission with the means to carry out its function. Premier Mendès-France said he must emphasize the importance of northern Laos as it was a key area with regard to blocking further Communist expansion toward the other areas of southeast Asia. He said that at Geneva much was done to retain this area and now it was being lost because the Control Commission could not get there. He said the French had already given all the helicopters they could spare and that only six more were needed. Mr. Hensel said he would like a memorandum concerning more information on this matter. Premier Mendès-France said that some time ago a memorandum had been given at Paris and Saigon, and Mr. Hensel said he would appreciate it very much if a further memorandum could be furnished concerning what has been provided and what capabilities the French already had to provide the needed planes.

French Mission in Hanoi-Haiphong

Premier Mendès-France said he felt there should be further discussions concerning the training of the National Army Friday morning. He said he wished to use the remaining time to refer to the French mission to North Vietnam. He read the terms of reference provided M. Sainteny. He said that the French feared the Vietnamese will ask for reciprocity perhaps for representatives of Vietminh to be established in Saigon which would be dangerous, or in Paris which would be difficult to refuse. He said that this mission was very important for the French remaining in the North and although not many remained in Hanoi, there would be a real problem when Haiphong was evacuated. He asked whether the Secretary had any advice in this delicate matter. The Secretary said that any advice he could give now would not be helpful. Premier Mendès-France said that whenever the Secretary wished he would like to speak further on this matter.

No. 671

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant) [1]

SECRET WASHINGTON, November 19, 1954.

Subject: General Assembly Speech

Participants: M. Mendes-France
Ambassador Bonnet
The Secretary
Mr. Merchant

The French Premier called on the Secretary at his own request prior to the plenary session. [2] After briefly referring to the receipt of a message from Paris which indicated that the situation in the French Assembly was growing very difficult by reason of the North African developments, the French Premier stated that he was planning to make a speech in the General Assembly before his return to France; that he was anxious to make it a "big" speech and to secure thereby a favorable effect on French public opinion. He planned to concentrate on the question of tensions between East and West and he said that in this connection he was planning to make three proposals or propositions.

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[1] According to the Secretary's appointment book, this meeting took place at 10:36 a. m. on Nov. 19. (Princeton University, Dulles papers, "Dulles' Appointment Book")

[2] For a record of the Second Plenary Meeting, which began at 10:45 a. m., see the U.S. Minutes, *infra*.

The first of these was to follow up an earlier Indian proposal and urge that further experiments in the atomic and thermonuclear field should be stopped.

The Secretary immediately replied that we had most carefully considered this matter and despite its original appeal had dismissed it for reasons which were weighty but too detailed for him to give at the moment.

The French Premier then said that he proposed to suggest that the State Treaty for Austria be signed but that the period allowed for withdrawal of forces be extended from 90 days, as provided for by the Treaty, to a period of two years.

Lastly, M. Mendes-France indicated that he intended to discuss the possibility of further negotiation with the Soviets. He would first knock down their latest proposal as unrealistic and clumsy. He did, however, want to suggest that at an appropriate time, say in March or April, after ratification of the Paris Agreements and after adequate quiet diplomatic preparation, the West would be willing to talk to the Soviets.

On these last two points, as well as in detail on the first, the Secretary promised to give the Premier the benefit of his thinking later in the day.

At 2:40 P. M., prior to the opening of the afternoon plenary, [3] M. Mendes-France called on the Secretary at the latter's request and was handed the attached informal memorandum by the Secretary [4] discussing the three points which Mendes-France had indicated in the morning he intended to insert in his speech before the General Assembly.

The Secretary discussed at some length the reasons which led us to decide against proposing a moratorium and it was apparent that the French Premier was impressed with the arguments. It was equally clear that he was not particularly familiar with the subject matter. For example, he expressed some surprise at the extent to which tactical weapons were being developed and incorporated into our military establishment. He said that he would desire to consult his own atomic experts urgently in light of the Secretary's comments but he made no commitment to exclude the subject from his United Nations speech.

On the second point relating to Austria he indicated, after the circumstances (with which he was unfamiliar) of Raab's visit to this country were explained to him, that he would try to get hold

[3] For a record of the Third Plenary Meeting, which began at 3:30 p. m., see Document 674.

[4] Not printed.

of the Austrian Chancellor on Sunday with a view to securing his agreement to his making the two-year proposal.

On the third point the Secretary said that he thought a general statement of willingness to negotiate after ratification and after adequate preparation was unexceptionable but that he thought it would be a great mistake to mention any date. Mendes-France indicated that he was wedded to the idea of a date. The Secretary said that we could not agree to it nor would it be possible to attempt to secure agreement within the U.S. Government on this subject prior to the delivery of the speech. This matter was left unresolved.

Attached is a copy of the informal memorandum on the subject handed by the Secretary to M. Mendes-France.

No. 672

Conference files, lot 60 D 627, CF 398

United States Minutes of the Second Plenary Meeting Between United States and French Representatives, at the Department of State, November 19, 1954, 10:45 a. m. [1]

SECRET

Participants

US	*France*
State	Premier Mendès-France
The Secretary	Ambassador Bonnet
Mr. MacArthur	M. Juniac
Ambassador Dillon	M. Roux
Mr. Merchant	M. Boris
Mr. Robertson	M. Cheysson
Mr. McCardle	M. Soutou
Mr. Nolting	M. Perouse
Mr. Bowie	M. Millet
Mr. Moore	M. Andronikof
Mr. Beigel	M. Froment-Meurice
Mr. Young	M. Vimont
Mr. Utter	M. Tine
Defense	
Assistant Secretary Hensel	
Admiral Davis	

[1] Drafted on Nov. 26. These minutes, along with a cover sheet and a brief index, were circulated as document MFT Plenary Min 2a.

FOA
Governor Stassen
General Porter

Indochina

Cooperation

The Secretary initiated discussion by saying that the US had given further thought overnight on certain matters and he wished now to make it quite clear there was no feeling on the part of the US that positive results could be achieved in Indochina in any way except by the closest of cooperation between the two countries. He said that historically French influence existed in the area which must be dependent upon to help hold Indochina. Therefore, whatever the US does should be done in close cooperation with the French. US may have its own ideas but in the last analysis if the French do not feel that they can usefully cooperate on such a basis as the US might propose, the US would shift to a basis upon which there was agreement.

He said he still considered it inadvisable to set up bipartite, tripartite, or quadripartite committees. Rather in all fields our representatives should be under instructions to cooperate with each other. He suggested the drafting of an outline instruction to US and French representatives in Indochina indicating how they should work together and proposed that a small drafting committee be set up for this purpose.

The Secretary stated that he contemplated initially that bilateral talks be held between US and French representatives and then others might be brought in such as the Viet-Namese, UK, et cetera, as the situation warranted.

The Secretary said that in addition US thought it was desirable to have monthly or more often talks in Washington at a higher level so as to assure that co-ordination was taking place.

Premier Mendès-France said that he wished to express agreement with what the Secretary had said, that he was grateful regarding his remarks concerning French responsibilities. He said that the French considered Indochina policy as only one part of overall policy in Asia in which the US has the highest responsibilities. He said that perhaps there would be some decisions along lines that the French had not proposed or that the French did not feel was best that France would make the necessary compromise in that general spirit. He said that it was necessary that the important things be discussed first before they are accomplished facts, France wished to be included in the preparation of policies and programs.

He said that he agreed on the proposals on the organization of work including the drafting of joint or similar instructions.

He said that on the subject of Seato there was a procedural point in that Sir Anthony Eden had expressed to him the British desire that the UK Ambassador be included. Subsequent discussion indicated that there would be a meeting at 3:30 Friday afternoon on this subject in which the British Ambassador would participate. [2]

Collins' Minute of Understanding [3]

In response to an inquiry from the Secretary as to whether he had anything to say concerning the memorandum General Collins had discussed with General Ely, Premier Mendès-France stated that he was worried about it. Referring to the text, he said that Article 1 could be discussed further on the expert level, that Article 2 concerning the autonomy of the Viet-Namese National Army, the French had no objection and hoped that responsibility could be transferred by July 1 but was not sure that it could be accomplished by that date.

He said that the difficulties arose over the next paragraphs. The statement that US would be responsible for all military assistance is likely to raise very important objections. Also the fact that the use of "more" French people in training program was forseen, however, if the main body of the instructors was French it would be difficult to understand why the political responsibility for training is in American hands. Another objection was from the point of view of the Geneva agreements and he expressed doubt that the Collins plan was consistent with these agreements.

The Secretary asked which provision of the agreement he had in mind, Premier Mendès-France said that the agreement provided that no military help could be brought in from the outside to Viet-Nam from foreign sources, but this didn't apply to French forces, only to say other foreign forces. He said he believed this would bring about very great reactions on the part of the Communists. He said it would also bring reactions on the part of the French within the Expeditionary Corps in particular. If the corps felt it had no more responsibility other than merely to defend the area in case of an attack it would have a bad impact on morale—this was dangerous to the fighting spirit of the only real free force in the area. He said that the difficulties in Article 4 derived from those in

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[2] For a record of the meetings held between U.S. and French officials and between U.S. and British officials on Nov. 19, which resulted in the creation of a Manila Pact Working Group, see the memorandum of conversations by Galloway, Nov. 19, vol. XII, Part 1, p. 986.

[3] The minute of understanding and the agreement ultimately signed by Gen. J. Lawton Collins, the President's Representative in Vietnam, and Gen. Paul Ely, French High Commissioner, on Dec. 13, 1954, is documented in vol. XIII, Part 2, pp. 2366 ff.

Article 3 and that the same objections apply. This was also true with Articles 5 and 6.

The Secretary said that in line with what he had said earlier, the US did not wish to press for any formula if the French found it seriously objectionable. He said the US did not wish responsibilities unless it could discharge them. He said the basic question is who is to be responsible for training. He said that our military had views concerning the method and theory of training which had been used with some success in Korea and Formosa. The people training cannot do the different kinds of things at the same time, thus there should be decision between the use of French methods or American methods. This does not mean that the French personnel would be eliminated but the basic theory should be established as one or the other. The US is willing to take on the training job if it is to be the US responsibility.

Admiral Davis said that at present Generals Collins and Ely were considering all the pros and cons on this subject and he suggested that no firm decision be made at the meeting on this point while the two Generals were busily and he believed successfully negotiating.

Premier Mendès-France said that he didn't know if the matter was that simple and whether it had to be either one method or the other. He said that if Generals Ely and Collins agree it would be all right with the French for they were in Washington to help General Ely. He said he would be surprised if Ely accepted Articles 3 and 4. For example, he said, Article 4 speaks of "for a given time" that French help would be necessary. This had definite long run implications.

The Secretary referred to the cable General Collins had submitted on his conversations with General Ely in which it was reported that General Ely had specifically agreed with the assignment of responsibilities. He said that General Ely had agreed with all the principles contained in the memorandum except one important point and that was Paragraph 5. He said that perhaps General Collins had gotten an inaccurate impression of General Ely's views.

Premier Mendès-France said that he had a cable from Ely sent November 17 and the report was not at all the same. He read from the cable which was to the effect that if the Collins proposal was accepted it would result in the eviction of French influence. It said General Collins envisaged sending to the US hundreds of Viet-Namese officers each year. This would weaken French cultural influence in the country. It proposed the eventual replacement of the French cadres with US, running a risk for the morale of the French Expeditionary Corps; the telegram stated that he has not given his approval to General Collins. The cable also made refer-

ence to the probable Viet-Minh reactions. Mendès-France then said that he repeated that if agreement were reached in Saigon there would be no objections in Paris.

US Objectives in Indochina

The Secretary said that he would like to make some comments which he hoped would not be misunderstood. The primary purpose, he said, was to build up a strong national force in free Viet-Nam. The object was not to establish US influence in a new area or to bolster French influence in an old area. First regard was for the build up of Viet-Namese strength. Unless priority was given to that, no US nor French influence would be remaining a year from now. First consideration should be given to what will strengthen the national force as soon as possible. We should not let considerations of national prestige compromise the achivement of this objective. The US recognized that the cultural and commercial interests in the area were 90% French. He said he begged that everything possible be done not to allow respective national prestige consideration to compromise the issue. He said that if Mendès-France ever thought that the US had any ulterior motives in this respect to notify the Secretary of any specifics and he will undertake to correct it. He said that he realized it was hard to always live up to these principles for the people on the spot sometimes get enthusiastic or nationalistic. He asked Mendès-France to try very hard in this direction and the US shall do likewise.

Premier Mendès-France said that because he was in full agreement is the reason why he had said that the people on the spot could make the decisions. The Secretary said that perhaps the matter can then be referred to Generals Collins and Ely. Premier Mendès-France said that he hoped General Collins would not make any public statements on the matter before an agreement was reached and the Secretary said that he understood the French concern.

Force Levels

The Secretary referred to the size of the Viet-Namese forces and the proposals that they be reduced and inquired whether Mendès-France had any comments. Mendès-France replied that this matter could be discussed by the people on the spot. Mr. Hensel stated that a 50% reduction in the Viet-Namese forces was anticipated and again stated that it was clearly understood that there were not to be two forces. Premier Mendès-France said there must be some misunderstanding for Ely had specifically discussed the problem of respective pay scales in the two Viet-Namese forces. The French had planned on a national army of 200,000 men, an army in the strict sense of the word and yet there seemed to be an idea of another force for internal order. The Secretary stated that the con-

cept was to have one force totaling some 83,000 men following a reduction of the present forces of 170,000 men through a selective discharge process. He said this would take six months to do and the costs were estimated to be $200 million a year.

Premier Mendès-France said that the French really didn't understand. He said that he was not really able to discuss military matters but as he understood it at the end of 1955 there would only be 100,000 in the French Expeditionary Corps. He said that Diem wants all French forces out in the spring of 1956 and if Diem insists the forces will all come out. But who then would be responsible? The Viet-Minh forces have been increased, and are still being increased. If the Viet-Namese had only 90,000 men he didn't see what they could do, perhaps internal order, that would be difficult but perhaps possible, but they could not resist aggression. He said there seems to be something he didn't understand.

The Secretary said he wished to express his understanding of the situation. He said the main purpose of these troops was to maintain order against subversion and only to provide a blocking force against an open armed attack from without. If there was an open attack, the area was subject to protection from outside under the Manila Pact. He said he thought that US would be prepared to throw some forces in this situation. He said he believed that this would serve to deter that kind of an attack. He said it may not but the US did not feel it possible to build up the forces strong enough to throw back any attack. The burden was too prohibitive. Already we had a very heavy burden in Korea and even there if there was an attack the US would respond on an attack on Northern Korea or Manchuria presumably in connection with its allies under the 16 power declaration. This deterrent was supplemented by the local operation in Korea which cost some $500 million annually. In Viet-Nam, the proposed force would cost some $300 million annually. If one attempted to build sufficient Viet-Namese forces to cope alone with this situation it would cost well over a billion a year and not only is there a problem of the costs of the army alone but in such a situation with large numbers of men serving in forces the whole economy would become a public charge and require subsidies. He said that the US theory was to have adequate local forces to deal with subversive activities and to serve as a small blocking force. Reliance for the principal deterrent would be on the obligations undertaken by the signatories of the Manila Treaty. This concept seemed the only practical one to the US and the US even with all of its strength cannot maintain in all the troubled spots of the world forces to cope with the forces that can be mounted by the Soviet Bloc, so that it was necessary to rely on deterrent forces from without and the maintenance of the centralized mobile re-

serve. This was the basic strategy underlying the recommendations of General Collins.

Premier Mendès-France said that he understood the general principles and they appeared feasible. He said they would have to be studied by the military men on the spot and the matters should be left up to Generals Collins and Ely.

Refugees

The Secretary raised the matter of the Catholic refugees which were being deterred from moving to the South by the Viet-Minh and inquired whether this might be brought up in the United Nations. He said this was a clear breach of the Armistice. He said he greatly admired the action the French had taken in this situation and the great perils that have been faced to get the people out. He said that public opinion should be focused on this situation and it might thereby bring pressure on the Viet-Minh to cooperate.

Premier Mendès-France said this matter was the primary responsibility of the International Control Commission. He said he was disappointed in the weakness of the Control Commission on this point. He said he had spoken to Mr. Pearson who is sending instructions to the Canadian members of the Commission but that was not enough. He said he felt it was necesary to try to do something with the Indians. He said that perhaps other countries should join in on this and that perhaps something could be done via the Vatican which had already expressed an interest to the French on this problem. He said it might impress the Indians for they appear to want to be on good relations with the Catholics due to the Goa situation and others.

The Secretary said the US did not maintain diplomatic relations with the Vatican and Mendès-France said that perhaps other channels could be used to reach the Pope. The Secretary said that he thought that presenting the matter at the UN would be the best way to issue opinion on the situation, perhaps through a letter from the Vietnamese Observer to the Secretary General. Premier Mendès-France said that this would be dangerous for the people concerned and it was not the normal procedure under the Geneva agreements. The responsibility rested on the chairman of the Commission to do more in this matter. He said he couldn't see that UN action would have any effect on the Viet-Minh—perhaps unlike the Soviets and the Communist Chinese, the Viet-Minh were totally disinterested in what the UN might do in this matter. He said he was thinking not as much of representations but merely diplomatic approaches to the Indians and that perhaps something could be done towards Nehru personally, who would be morally obliged to act particularly due to his recent attitude towards his meeting with Mao. Perhaps it is best that the UK approach Nehru personally

and that at the same time France, US, and UK would make approaches to the three members of the Commission so that India would not be singled out. The Secretary said he was not sure of the US position for at the Geneva conference the US had never adhered to the final act. Premier Mendès-France said that US had made a statement that it would not countenance a breach of the agreement and that if this matter could not be taken up in common with the US it perhaps should not be done at all. The Secretary said he would take this up with his legal advisers. Premier Mendès-France said it would be bad if the impression was created that the US was not interested in this problem.

Financial Aid

The Secretary said that he proposed that US and French representatives concert their thinking on aid matters as soon as the French financial people were ready. Premier Mendès-France referred to reports in the morning's press and said that he preferred that the discussions be held next week and not a part of the present talks. He said he did not want to give any impression that political decisions were dominated by financial considerations.

Cambodia

The Secretary referred to Cambodia and asked if the French believe that the Control Commission had a responsibility for supervising the elections. Premier Mendès-France said that the French felt they definitely had no responsibility. At Geneva it was set forth that Cambodia and Laos were independent countries and the elections would only be the normal ones. This was different from Viet-Nam where there were no governments but only provisional authorities. The Secretary said that it was also the US view that the Commission should not supervise elections. Premier Mendès-France said there would appear to be a legal difficulty in that at the last minute on that very funny night of the Armistice negotiations, when Molotov agreed to everything, Cambodia introduced a new paper and insisted that it be made part of the Armistice agreement and everyone agreed. The Communists now make the legal argument that because this paper is now included in the Armistice the Control Commission is competent to supervise the elections. He said that he was quite sure that this did not really give the Commission that right and that the maximum that was involved was that if any Cambodian citizen felt after the elections that he had not had the full rights entitled to him under the Armistice he might protest to the Control Commission. He mentioned that the Canadians were worried about this particular Article 6 and found it to be embarrassing.

It was agreed that the next meeting to be held at 3:00 Friday afternoon and that a working party would by that time develop draft joint instructions to the US and French representatives in Indochina. [4]

[4] For a record of the talks held later that afternoon, see Document 674.

No. 673

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant) [1]

CONFIDENTIAL WASHINGTON, November 19, 1954.

Subject: Saar

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

The Secretary told M. Mendès-France that since the talk at the White House [2] we had given this matter further consideration and that he felt the Premier was entitled to know that our preliminary thinking was to the effect that it would not be possible to give a fresh committal to support the Saar settlement in the Peace Treaty except under the unlikely circumstance that the Germans as well as the French ask for such a committal. He mentioned the fact that provision had been made in Teitgen–Adenauer agreement [3] last spring for the French to approach us and the British on this subject. Mendès-France pointed out that this had been merely a reservation by the French Delegation of its right to request such a guarantee.

Mendès-France spoke of the delicacy of this matter and the importance of a satisfactory response by us to the ratification by France.

[1] Presumably this conversation took place in Dulles' office at 2:40 p. m., preceding the Third Plenary Meeting. For a record of other subjects discussed at this time, see Document 671.

[2] For a record of this opening meeting at the White House on Nov. 18, see Document 669.

[3] Reference is to the agreement signed by Teitgen, head of the French Delegation to the Council of Europe, and Chancellor Adenauer in May 1954, according to which the French and German Governments undertook to settle the Saar question on the basis of the report of Apr. 30, 1954, approved by the General Affairs Committee of the Consultative Assembly of the Council of Europe. For documentation on this agreement, see vol. VII, Part 2, pp. 1403 ff.

The Secretary replied that the scales were so delicately balanced in the matter of the Saar as between France and Germany that we were not disposed to take any action which might be disturbing.

Mendès-France argued that there should be no difficulty for us if we made our committal subject to our support conforming to the wishes of the Saar population as expressed at the time of the peace conference. He also expressed the hope that we might be able to do something after ratification if not before.

The Secretary said that we had not of course fully explored the matter yet but he didn't want the Premier to be in any doubt as to our thinking. He added that apart from legal and constitutional questions, the controlling consideration in his mind would be the avoidance of any risk of an action on our part being responsible for failure of ratification of the complex of Paris agreements by all the countries.

No. 674

Conference files, lot 60 D 627, CF 398

United States Minutes of the Third Plenary Meeting Between United States and French Representatives, at the Department of State, November 19, 1954, 3:30 p. m. [1]

SECRET

Participants:

US	*France*
State	Premier Mendès-France
The Secretary	Ambassador Bonnet
Mr. MacArthur	M. Roux
Ambassador Dillon	M. Boris
Mr. Merchant	M. Juniac
Mr. Robertson	M. Seydoux
Mr. McCardle	M. de La Grandville
Mr. Nolting	M. Soutou
Mr. Utter	M. Cheysson
Mr. Beigel	M. Martin
Mr. Fisher	M. Vimont
Mr. Moore	M. Tine
Mr. Jones	M. Andronikof
Mr. Young	M. Froment-Meurice
	M. Ruffin

[1] Drafted on Nov. 23. These minutes, along with a cover sheet and a brief index, were circulated as document MFT Plenary Min 3.

Defense
Asst. Secy. Hensel
Admiral Davis
FOA
General Porter

Indochina—Joint Instructions

The Secretary opened the meeting by suggesting that agreement be reached on the text of the joint instructions to US and French representatives in Indochina.[2] He proposed the several drafting modifications which were accepted by Premier Mendès-France. The most significant one of which involved the elimination of a statement to the effect that the US has primary responsibility for Western policy in the Far East. The Secretary also stated that he wished to make clear that he did not interpret anything in the instructions as requiring the establishment of a fixed tripartite committees, saying that he did not wish to make this matter a rigid thing.

Premier Mendès-France said that he understood the Secretary's interpretation. He then proposed several minor modifications which were accepted and the text of the instructions were agreed.

The Secretary stated that after the Manila Pact was in force it might then be appropriate to modify the principles outlined in the joint instructions. He said that the Indochina area in a sense was under the Treaty and he said he thought it might be covered by the paragraph concerning subversion which calls for consultation. Under the Treaty there would be certain obligations to the other signatories, and once treaty procedures were developed, new procedures regarding consultation on Indochinese problems might be necessary. Premier Mendès-France said that he thought there were two different things involved. He said that Paragraph 4 of the joint instructions alluded to Paragraph 3 of the September 29 US-French minute of understanding, that this all concerned not only military dangers but lots of additional questions concerning consultation between the US and France, many problems not connected with internal or external dangers. The Secretary thought that this would present no problem, that he only wished not to put the US and French in a position where they would not be taking into account the legitimate interests of other signatories of the Manila Pact.

Premier Mendès-France said that perhaps he had not expressed his view clear enough. He said there were essentially two kinds of problems, first, problems such as the US and French were discuss-

[2] For the text of this joint instruction, sent to Saigon in telegram 2055 of Nov. 20, see vol. XIII, Part 2, p. 2274.

ing at the moment which included many things not included in the Manila Pact, and Paragraph 4 says that there will be consultation and he believed this consultation would continue even if the Manila Pact were enforced. Second, there were other special problems which would come under the Pact. He proposed that there be a clear distinction between the two and that it be understood that Paragraph 4 of the instruction be operating even when the Manila Pact is in force. The Secretary said that the US and French might wish to report to the Manila Pact signatories. Premier Mendès-France again stated he thought the Paragraph 4 would still be valid even after the Manila Pact went into effect. The Secretary said that he did not mean to suggest that the Manila Pact might automatically change Paragraph 4, but that there were many members in the Pact and he did not know what might be called for at that time. Premier Mendès-France said that if the Manila Pact were in force, there would still be a need for such talks as the present ones. The Secretary said yes, but it was conceivable the situation might change and that he did not want the US bound for all eternity by the joint instructions, although he did not anticipate that it would be necessary to depart from the principles contained therein. Premier Mendès-France said that any change would have to be discussed between the US and French to which the Secretary indicated agreement.

Pierre Mendès-France then inquired as to what should be said to the Associated States about the joint instructions. The Secretary said that he thought advice should be obtained from the representatives in Indochina, but that in any event he did not believe there should be any formal notification. This would give undue importance to the joint instructions. Premier Mendès-France indicated general agreement and proposed that experts meet perhaps that evening to see what might be said Saturday by a representative of the Secretary and by Ambassador Bonnet to the three Ambassadors of the Associated States.

The Secretary said he thought that the actual principles in the draft instruction would be developed gradually on a working basis. He said that there was the bigger problem of informing the representatives of the Associated States, concerning the present talks, to satisfy their curiosity and dispell their suspicions. Mr. Robertson said that he thought the present instructions were merely in implementation of the September agreement and did not represent any new agreement requiring formal notification to the Indochinese. Premier Mendès-France indicated his concurrence and the Secretary said that he agreed to the proposal that the experts get together to determine what should be told to the three Ambassadors.

Relationship with the Viet Minh

Premier Mendès-France asked if there was any other Indochina business. The Secretary replied that there were plenty of problems: one of which might be brought up at this time was that of the recognition of the Viet Minh which the US wished to avoid. Mr. Robertson asked what was the relationship of the Sainteny mission [3] to the Viet Minh. Premier Mendès-France replied that there was an ambiguous situation, that the text of his letter had been worded as carefully as possible to avoid the appearance of recognition. They were not particularly happy with the paper but they felt obliged to give Sainteny some kind of paper of this type. He read the letter again which referred to Sainteny as being charged with the defense of French interests in the north zone, and being named delegate of the French Government "Auprès de vous". He said he wasn't proud of the wording but he hadn't been able to find another one. He said that the Viet Minh had not said anything about a reciprocal representative, but it was believed they would most likely send one, and that one in Saigon would be dangerous but it would be very hard to refuse one for Paris.

The Secretary suggested that he ask his experts again whether there might be some substitute for the phrase "auprès de vous" saying he personally would prefer, "to negotiate with you to that effect", but he did not want to put his views in this matter ahead of those of the French. Premier Mendès-France said that unfortunately at Geneva a letter was written addressed to the Democratic Republic of Vietnam but he would see if some change could be made in the Sainteny letter.

French Citizens in North Vietnam

Premier Mendès-France said that there was still the problem of the French concern that the French citizens remaining in the North not be discriminated against by the United States, and M. Cheysson said that in September four written questions were addressed to the US, two of which had been answered, but the one pertaining to the matter of discrimination had not been answered. Mr. Young said that this matter was being worked on but that it involved a number of US Government agencies and it took a little time. Premier Mendès-France said he understood that the preliminary reply was favorable and this was generally confirmed by the Secretary.

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[3] Jean Sainteny, former French official in Indochina was dispatched to Hanoi by the French Government in August 1954 to arrange for the protection of French economic and cultural interests. For information on his activities, see vol. XIII, Part 2, pp. 1936 ff.

Training Vietnamese Forces

The Secretary read from the telegram 2027 [4] which the Department had sent to General Collins Thursday evening and Premier Mendès-France indicated his concurrence.

Diem Government

Premier Mendès-France referred to the previous discussion concerning a program of action for the Diem government and inquired as to whether it was agreed to go ahead on this basis. The Secretary stated no objection and suggested that the experts get together first to define the specific proposals that might be suggested to Diem and the timing and manner of the presentation plus the arrangements for speaking together to see how the program was developing. General Porter said that he thought it would be necessary to go into the program carefully and the Secretary said but not so carefully that Diem will be gone before the program is ready to be presented to him. Mr. Young said that there were a number of pending proposals regarding agrarian reform which could be considered and General Porter said that he believed that Mr. Barrows, the head of the FOA Mission, would have something to contribute.

Premier Mendès-France inquired as to whether messages should not be sent to the two Generals in Saigon proposing that they work out precise measures. The Secretary said that he wished to make clear that he wouldn't want to agree always to present the proposals on a strictly joint basis but that the efforts and timing should be concerted. Premier Mendès-France said that the only way to impress Diem's associates was to show that the US and France agree; if not, they feel there may be disagreement and are inclined to play off one against the other. The Secretary said we do not want to be committed that the US would never talk alone to the Diem government. Premier Mendès-France said that he was speaking only of the present decision and program that was under consideration and not all things in general. The Secretary said that the US would want to check first with its representatives on this specific program. He said he agreed that while he was in favor of working together, he didn't like to adopt a general principle as being absolute for every case. Premier Mendès-France said that what is important is that the Generals make the survey and keep in contact to judge on the execution of the program.

Premier Mendès-France said that it was difficult for the French to come to a decision on the problem of Bao Dai, and he wished the US views. He said that Bao Dai wants to go back to Viet-Nam and

[4] Telegram 2027 to Saigon, Nov. 18, stated that preliminary discussions indicated that Mendès-France was opposed to eventual exclusive U.S. training responsibility in Vietnam. (751G.5 MSP/11-1854)

so far the French had been successful in avoiding that, but he is insisting. The Secretary said that while he was not in a position to give advice on the matter in general the US was against Bao Dai's returning. Premier Mendès-France said that even if Bao Dai was not a very interesting person, he did provide legitimacy; he was now for Diem but if he went back what would be his position in a matter of months is another question. He said that it was hard to forbid him from going back and it was a delicate matter. He said he was afraid Bao Dai might make some public statement to the effect that the French were keeping him from returning, and again inquired if the US had any new ideas on this subject. The Secretary referred to Ambassador Heath's return and said that he relied a lot on the Ambassador's advice but at the moment he had no views to offer on this subject.

WEU Arms Agency

Premier Mendès-France said that on the question which had been discussed in London and Paris [5] concerning the distribution of US arms via the WEU Arms Agency the French still desire something in this matter. He said that in London the Secretary had stated that the US would notify the Agency so it could take US arms aid into account in its own work. In Paris there was thought given to consultation but the Secretary had said he was not prepared to agree. He said he would like the Secretary to think the matter over because it was a matter of importance for the efficiency of the Agency and for public opinion.

The Secretary said that he had no doubt that means can be arrived at to help the Agency deal with its program but that the US did not want to duplicate machinery. He said that the US has missions in various countries which together with NATO mechanisms seem to work very well. He said that the US was anxious to see the Agency develop satisfactorily. He said the US would be glad to keep in touch with the Agency and see how, consistent with basic US principles, the US can help the Agency carry out its task, but the US cannot proceed very far until it sees how the Agency plans to work. He said that perhaps a good deal may depend upon the January 17 talks concerning the arms pool.

Premier Mendès-France said he was not seeking a commitment but only an indication from the US. He inquired whether the Secretary did not think that something could be developed on the same basis as had been done under the Marshall Plan with the OEEC. The Secretary said that he was concerned about there being

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[5] For documentation concerning the Nine-Power Conferences at London and Paris, Sept. 28–Oct. 3, and Oct. 20–23, including records of meetings concerning the matter of the WEU Arms Agency, see vol. v, Part 2, pp. 1294 ff. and 1404 ff.

duplication and delays in practical operations. Mr. Hensel said that the US would consider the matter sympathetically but it was difficult to agree in advance particularly as there was a responsibility to Congress. The Secretary said that France had not questioned US control of distribution of aid but desired consultation. He said it depended upon what kind of a positive or negative role the Agency developed. He said he did not want to pile machinery upon machinery. Premier Mendès-France said he was not sure concerning the procedures with NATO but that he thought that each country only indicated what program it could conduct and NATO is not directly included in the kind of consultation he had in mind. The Secretary said he didn't fully understand the NATO procedure but as all the Brussels Treaty people were also sitting in NATO perhaps something could be arranged in that way. Premier Mendès-France said that in the EDC it was foreseen that aid would be distributed by the EDC organs and there was a consistent system with the EDC being responsible for supplying all arms. He said he couldn't understand why what was planned for EDC would not work now. The Secretary said that like Mendès-France he himself had nothing to do with developing the EDC. However, he said there were no national armies in the EDC, only one common army and this made a difference. But he said he had not taken the position concerning US aid distribution through the EDC and he did not take that position now, that the matter was subject to the same objections in his mind.

Premier Mendès-France inquired as to whether it would be possible to have at this time some declaration of intention regarding sympathy for the French idea and stated that such a declaration would be a great help for the debate and ratification. The Secretary said he could take what he had previously said at London and Paris and perhaps tie it up in a ribbon, that might be of assistance. Mendès-France said that it would be of particular assistance if the ribbon would be a bit more tight and the Secretary said he would try to help. He inquired why the deputies were worried and sensitive about this matter. Mendès-France said that frankly they were afraid that the US would give more and better arms quicker to Germany than to France, that as a result Germany will have a newly equipped army and the French will have old fashioned type of equipment.

North Africa [6]

The Secretary said that our people were sensitive also when the French used the material we gave them to fight against the natives

[6] For documentation on the subjects mentioned in the conversation concerning North Africa, see vol. XI, Part 1, pp. 127 ff.

in North Africa, and that there was a feeling here that material should be given to those who keep it in Europe. He said he felt we may have considerable difficulties over this. Mendès-France said that the French were doing this in the common interest for it was a situation that was bad for all. The Secretary said he did not wish to speak on the substance of this problem but wished to point out that the US had parliamentary difficulties too. Premier Mendès-France said that under Article 4 of NATO Algeria was covered and a threat to the peace was a matter of common concern and the signatories would have to concert action. He said he had been instructed by the National Assembly last week to have a formal consultation on Article 4. He said that before leaving the Arms Agency matter he wished to stress that although he was not in a great hurry the matter was very important.

Mendès-France then referred to the Spanish, Egyptian, and Hungarian radio broadcasts in North Africa. He said that while the US perhaps could do little in Budapest he hoped the US could help in Cairo and Madrid. The Secretary said that the US had already spoken to the Egyptians and that additional instructions will be drawn up to Ambassador Caffery since the effect of the steps that were taken recently apparently had worn off. He inquired whether the French thought it was correct that the line Caffery should take was that the US was satisfied that Mendès-France was making an early and determined effort in the Tunisian matter. Mendès-France indicated his concurrence. The Secretary said that as he understood the matter, Mendès-France intended to deal first with Tunisia and then apply similar policies to Morocco. Premier Mendès-France said that for the immediate future political and economic measures were being undertaken although they realized this was not enough to resolve the crisis which was based on the dynastic problem. He said there is no speedy solution to the problem there. He said that with regard to Egypt could not some reference be made in the communiqué to the problem. He said this would be good for public opinion. The Secretary said he did not believe there should be anything in the communiqué that the US would be taking up with other countries. Premier Mendès-France asked that even if mention wasn't made of the name of any country perhaps in the communiqué it could be indicated the matter had been discussed. Mr. Merchant said he was afraid if something were in the communiqué there might be a reaction which would make it more difficult for an effective approach by Ambassador Caffery. Premier Mendès-France said that unless something of this nature could be said in the communiqué from the French standpoint it would be better to say nothing.

The Secretary inquired as to whether Mendès-France was going to address himself to the North African matter in his speech before the United Nations. Mendès-France replied that was not his intention because he did not want to give the impression of defending the French position although his speech was not final as yet. He referred to his reply to a Press Club luncheon question which he had discussed the matter of arms coming in from outside North Africa, and added that if he touched on North Africa in his UN speech it would be in this connection.

Mr. Byroade said that a study had indicated there had been a change in the output of radio Cairo during the week and he said that the matter had been discussed with the Egyptian Ambassador who had telephoned Nassar who had promised to tone down the output. Mendès-France said that his reports were that the opposite was the case for on November 18 and November 19, the anniversary of the former Sultan, the Egyptians had repeated many times a day a call for manifestations on the streets in Morocco.

Premier Mendès-France inquired as to whether in the communiqué something could not be said to the effect that the problems had been examined in the spirit of Article 4 of the North Atlantic Treaty and it had been decided to have consultation to resolve these problems. He asked that the matter be thought over. The Secretary said that Article 4 was not a bilateral matter but required a meeting of all the members of the North Atlantic Council. Mendès-France said that is why he had suggested the words "in the spirit of" Article 4.

It was agreed that a meeting would be held at 10:00 Saturday, November 20, to reach an agreement on the communiqué. [7]

Mr. Hensel said that the US was disturbed over the reduction in French M to M plus 30 day divisions from 14 to 12. This taken with the transfer of divisions to North Africa weakens NATO and SACEUR is disturbed. This development would have an effect upon other countries tending towards a progressive reduction of NATO strength. He said also that US regulations did not permit furnishing MDAP equipment to divisions less ready than at M plus 30. He said that the US was mindful of the security problem in North Africa but that the US Congress insisted that MDAP equipment remain in Europe and even Algeria was not on the European continent. He said that the US hopes that France will return the divisions and equipment as soon as the danger is passed. In the meantime it would be difficult to replace in Europe any of the MDAP equipment taken to North Africa.

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[7] For a record of this meeting, see Document 681.

Mendès-France said that Mr. Hensel's remarks caused no difficulty and it was the French intention to return the equipment as soon as possible as it was only sent as a temporary measure to deal with an acute situation. He said that France hoped, if it got results in Africa on the political side, to reduce the forces in North Africa by the end of 1955. He said that as this is connected with the evolution of the political situation it was hard to be precise concerning the date. He said that the French efforts were for the common defense and North Africa was not far away so that the troops could be brought back soon in an emergency. He said that the reduction of the M plus 30 divisions from 14 to 12 was a realistic measure for some of these 14 divisions had not been in full strength and had many gaps. He said that frankly, however, the situation derived from the North African problem and that part of the former M plus 30 divisions had been taken to make new divisions for North Africa. The French action gave only an appearance of a weakening for the manpower and the money was the same and the situation was on a more honest basis. He said that by the end of next year when forces could be returned from North Africa and Indochina he hoped this would allow an increase in the French NATO contribution in the course of 1955.

Mr. Hensel said that the US was disappointed in the reduction in planning for NATO strength and that the French decisions while involving the same amount of money resulted in less strength. Mendès-France said France was not decreasing its manpower or its expenditures although it was not enlarging its forces this year as it had been hoped due to the North African situation. Mr. Hensel said he appreciated the French difficulties and hoped Mendès-France also appreciated the US worries. Mendès-France said he did but that if the North African situation deteriorates it involves danger for all. Mr. Hensel said he hoped the US will be given time to talk to the French before any further MDAP equipment is moved to North Africa. Mendès-France said he understood and that the French would get in touch with the US in such event. He said he hoped there was an understanding that the North African forces were for the common defense.

No. 675

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant) [1]

CONFIDENTIAL WASHINGTON, November 20, 1954.

Subject: UN Debate on North Africa

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

The Premier expressed the hope that before and during the General Assembly debate on North Africa the French and U.S. Delegations would keep in close touch with each other. He said that he hoped the Tunisian matter would be settled by the time the debate opened and that this of course would be helpful. He referred to the fact that we had been extremely helpful in supporting the French position last week and he implied that he hoped similar support would be forthcoming at this session.

[1] According to the Secretary's appointment book, Mendès-France and Bonnet met with Dulles and Merchant in Dulles' office at 10:04 a.m. on Nov. 20 preceding the Fourth Plenary Meeting. (Princeton University, Dulles papers, "Dulles' Appointment Book") It was presumably at this meeting that the discussion of this and the subjects summarized in the following five memoranda of conversation took place.

No. 676

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL WASHINGTON, November 20, 1954.

Subject: Premier's Speech Before the General Assembly

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

In connection with his proposed speech before the General Assembly M. Mendès-France noted that he had made an appointment to see Raab in New York on Sunday with a view to securing his agreement to the Premier's projected Austrian proposal.

The Secretary then said with great firmness that he felt it of the greatest importance that Mendès-France should not raise in his speech the question of a moratorium on experiments. He said our study had convinced us of the unwisdom of such a proposal and that if it were made by Mendès-France it would be most embarrassing. He said we would unquestionably be asked if this had been discussed with us and we would be forced to say that it had been discussed with us and that we had disagreed.

M. Mendès-France said he would think it over overnight and that he was inclined to follow our advice. He had, however, summoned from Paris to meet him in New York tomorrow his top atomic specialist. If he says nothing to change Mendès-France's present point of view then he will not refer to the matter in his speech. On the other hand, if he is convinced otherwise he will get in touch with us and he asked to whom he should speak in our UN Delegation. It was agreed that he should get in touch with Gerard Smith, Special Assistant to the Secretary on Atomic Energy, and the matter was so left.

No. 677

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL WASHINGTON, November 20, 1954.

Subject: Yugoslavia

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

Mendès-France mentioned to the Secretary that French relations with Yugoslavia were on the whole good. He said that he had had feelers at different times regarding a visit to Paris by Tito and now that the Trieste matter had been settled they proposed to invite Tito to visit Paris in the near future. He also mentioned that there were some tentative plans for a state visit by the Italian President to Paris soon after the turn of the year.

The Secretary then took the opportunity to describe the current economic negotiations which we were having with the Yugoslavs. [1]

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[1] Documentation on the U.S.-Yugoslav economic talks in Washington, Nov. 12–22, 1954, is scheduled for publication in volume VIII.

M. Mendès-France seemed interested and appreciative. He mentioned the difficulty they were having over the matter of the short term credit to Yugoslavia which is in private hands. He said the Yugoslavs were behind on their amortization and the French citizens holding the obligations were making it embarrassing for the French Government to continue its contribution to tripartite aid to Yugoslavia. The Secretary indicated generally that anything the French could do in the Yugoslav financial situation would be helpful.

No. 678

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL WASHINGTON, November 20, 1954.

Subject: GATT

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

The Secretary mentioned to Mendès-France that reports from our Delegation in Geneva were to the effect that the French Delegation was being inflexible and stubborn. He hoped that Mendès-France could urge them to be more accommodating. Mendès-France said that he was not fully briefed on this matter and was anxious to know on what specific issues the French were making difficulties. Was it on Japan or overseas territories or the revision of the Agreement? The Secretary said that he was not informed of the details and did not believe any issue had actually come to a crisis. His impression was that it was a general attitude rather than a specific problem. The Premier laughingly said that he would issue instructions to his Delegation at Geneva to be more "amiable".

No. 679

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL WASHINGTON, November 20, 1954.

Subject: Middle East

Participants: Premier Mendès-France
Ambassador Bonnet
The Secretary
Livingston T. Merchant

M. Mendès-France inquired what was developing in the talks which he understood were going on between London, Ankara and Washington on defense arrangements for the Middle East. [1]

The Secretary responded that nothing at all was happening as far as we are concerned and that he saw no real possibility of a comprehensive defense arrangement in this area. He said we were encouraging the "northern tier" concept with the thought of drawing Iran and Iraq together with Turkey and Pakistan, but that any broad engagement seemed ruled out by current tensions between Israel and the Arab states. The UK, however, is exploring the matter in broad terms as are we but no major solution has been developed.

M. Mendès-France said that he thought the "northern tier" approach was a good one and he also thought we were right in not contemplating any arrangements with the countries in the area which excluded Israel.

[1] For documentation on these talks, see vol. IX, Part 1, pp. 378 ff.

No. 680

Conference files, lot 60 D 627, CF 398

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

TOP SECRET WASHINGTON, November 20, 1954.

Subject: NATO "New Approach" [1]

Participants: Premier Mendès-France
Ambassador Bonnet

[1] For documentation on NATO and the "New Approach", see vol. V, Part 1, pp. 482 ff.

The Secretary
Mr. Merchant

The French Premier referred to the "new approach" studies of NATO and said that they had been discussed at length in the French National Defense Council which had agreed to the proposals as put forward by General Gruenther and the Standing Group. He said, however, that the subject matter was too serious to be left exclusively in military hands. Political decisions of the highest level would be required in an emergency. He then referred to an arrangement during the war whereby all great military questions were decided personally between President Roosevelt and Prime Minister Churchill. He felt that similar arrangements, but including France, should be established to deal with questions of this nature in the event of war or its imminent threat. In other words, what was needed was a high level political Standing Group. He went on to say that he was not making a formal proposal at the moment but wanted to notify us that we would be receiving a proposal in the near future along these lines.

There was then some discussion of the NATO alert system and its broader application, Mendès-France was quite firm that France should participate with the UK and the U.S. in all great decisions.

Mendès-France then mentioned briefly to the Secretary the fact that he hoped we could promptly close the current negotiations being conducted by Mr. James Wilson of the Defense Department in Paris concerning matters arising from the presence of the U.S. forces in France. He mentioned specifically housing and claims and the fact that agreements had already been concluded on similar matters with the British and the Canadians. The fact that ours had been prolonged is a source of some irritation. He said he hoped we would try to push them to a conclusion. The Secretary indicated that he would ask Defense to accelerate as much as possible the arrival at an agreement.

No. 681

Conference files, lot 60 D 627, CF 398

United States Minutes of the Fourth Plenary Meeting Between United States and French Representatives, at the Department of State, November 20, 1954, 10:30 a.m. [1]

SECRET

Participants

US

State
The Secretary
Mr. MacArthur
Ambassador Dillon
Mr. Byroade
Mr. Robertson
Mr. Merchant
Mr. McCardle
Mr. Nolting
Mr. Young
Mr. Moore
Mr. Jones
Mr. Fisher
Mr. Beigel
Mr. Utter

FOA
Governor Stassen
General Porter

Defense
Assistant Secretary Hensel

France
Prime Minister Mendès-France
M. Bonnet
M. Roux
M. Boris
M. Juniac
M. Seydoux
M. Ruffin
M. Froment-Meurice
M. de la Grandville
M. Soutou
M. Cheysson
M. Martin
M. Vimont
M. Tine
M. Andronikof

Communiqué

The Secretary and Mendès-France made a series of proposals on the working group text of the communiqué (attached as Tab A) and the resulting communiqué (Tab B) [2] was arrived at without major substantive discussion except for the final paragraph.

North African Situation

Concerning the final paragraph Mendès-France insisted long and stubbornly that he had to have something in this communiqué regarding the external influences bearing on the North African situ-

[1] Drafted on Nov. 26. These minutes, along with a cover sheet and a brief index, were circulated as document MFT Plenary Min 4a.

[2] Neither tab is printed. For the text of the final communiqué, issued on Nov. 20, see Department of State *Bulletin*, Nov. 29, 1954, p. 804.

ation, especially because he had been committed to take this matter up with the US in the course of a recent parliamentary debate. The following pertains to significant remarks that were made during the discussion of the final paragraph.

The Secretary said that if the French wanted to bring the US into the matter, this would make it international whereas France had heretofore considered the North African situation a purely domestic affair. He said he did not see how France could expect to derive strength and support from other nations, yet tell the other nations to keep out. The Secretary proposed that language be used concerning negotiations between the parties directly concerned and stated that this would imply that the people who were not concerned should keep hands off.

Submission to NATO

Mendès-France said that after all the US was interested for Algeria was included in the area covered by the North Atlantic Treaty. He said he thought the US should support better security in the area. He said that it was difficult for him to understand that in a situation like that which existed at present the French would get no help from the US. He said the French were just now at the end of the Tunisian negotiations and the following week might be decisive; consequently any statement merely urging the two parties to negotiate would have a bad impact. Ambassador Bonnet said that one could not bring something from the Pacific (such as the Secretary had proposed in making reference to the Pacific Charter) to North Africa.

The Secretary said that the US had a record of helping others and that was still the attitude of the US but that no nation had the right to demand US help under specific treaty obligations.

Premier Mendès-France said that the first question on his return will be would he get aid from France's friends in this matter. He asked how could he answer this question.

The Secretary said that bringing the matter into NATO would require careful study by the US and the other members of the NAC. He said the whole matter must be most carefully prepared, that a sudden meeting would not have results for many members would be reluctant to be drawn in. He said that if they were drawn in, he believed that they would feel a need for a greater voice than the policies involved and he was not sure that France desired this.

Mendès-France said that if in the hypothetical case France were attacked by Belgium or Italy and asked the aid of its allies he did not believe they would ask what kind of a domestic [policy] had been followed in France. The Secretary said that under the North Atlantic Treaty members are not required to come to the aid of other members fighting each other. Mendès-France then said what

if the country were Spain. The Secretary said that that presumably would come under Article 5 but happily such a problem has not arisen.

Mendès-France said he was not talking about French policy in North Africa and was not asking for approval of that policy. Rather that he was asking for assistance against external attack.

The Secretary said he felt very strongly about the North African situation being brought before the North Atlantic Council without the most careful study and preparation. He said that once reference was made to Article 4 and the Council and joint communiqué the US was associated. He said Mendès-France can speak outside of these talks if he wishes to say something about it himself. He said he thought it would be a terrible mistake to bring it up for Portugal would not be inclined to line itself up against Spain, and Turkey and probably the UK would not be inclined to line themselves up against Egypt; the Scandinavian countries would want nothing to do with it at all. He said the French don't want to bring the matter up and then be rebuffed. He said that maybe after further thought had been given to the matter it might be a wise thing but that he did not feel it would be.

Mendès-France said he wished to insist on the gravity of the matter. He said he needed US advice. He asked what the French Government must do; the French Government has tried to make a liberal policy and then has been sabotaged from without. He said that in the past there had been trouble with the US representatives in North Africa but there was definitely no trouble now and he was pleased to say that for the record.

The US representatives in North Africa understand the situation although he was not sure US representatives elsewhere, say in Egypt, did. He asked what can France do. He understood and appreciated that the US was prepared to intervene privately with other countries but not publicly. He said that if the situation deteriorates the common security would be in danger. He said what would be the result if next year it was necessary to send more troops there if the North African situation developed like that of Indochina. He asked how can France get other countries interested.

The Secretary said he did not minimize the gravity of the situation for it could be even worse than Indochina, particularly for US and French relations. He said he had been worried about North African situation developing like it had in Indochina. This was close to home. He said he did not think it was unimportant but that perhaps it was the most serious problem that we faced. He said it might get NATO, it might break NATO apart. He said it was unwise to quote treaty language for the experience of mankind showed that nations act in accord with what they consider their

basic interests and not by the letter of treaties for one pretext or another will be found. He said that when Algeria was brought in as NATO territory he was sure it was not contemplated at that time the strain that would result.

Domestic US International Problem

He said that perhaps the first thing for the French to decide was whether to treat it as a domestic problem or as an international problem. In Indochina the French had considered the policy decisions a purely domestic problem but sought international aid and this had not been very satisfactory for the US, as evidenced by many heated arguments he had had with Ambassador Bonnet. The French had had it both ways in Indochina but it had not worked well.

The Secretary said that if the French want the US to get into the matter the US will reluctantly. He said that today the US only observes. He said that when he had discussed this matter in Paris with Mendès-France and the latter had told him of his fresh approach to the problem he did not consider this strictly US business nor had he attempted to form an independent judgment concerning the program. He emphasized that US could not give French a blank check regarding their North African policy, since we did not know French Government's plans.

Mendès-France said that the problem was domestic until external influences come in and then it becomes international.

The Secretary said if one asked the Egyptians to keep hands off, they will ask the US to keep out, too.

Mendès-France said that he really didn't understand the US position but that he would agree that the reference to Article 4 and the NAC should not be mentioned in the communiqué.

Moscow Press Conference

Near the conclusion of the work on the communiqué the Secretary described the Moscow press conference that had been held at 12:30 and among other comments Mendès-France said that he believed this implied that the satellites would meet on November 29 and would make some kind of military agreements. [3] He said it would be interesting to see if they have anything like the controls on armaments contained under the revised Brussels Treaty and the WEU Arms Agency.

At the conclusion of the work on the communiqué Mendès-France asked that the press not learn that all morning had been spent on the North African problem and suggested that they be

[3] Documentation concerning the press conference in Moscow on Nov. 20 and the Soviet-sponsored European Security Conference which opened in Moscow on Nov. 29, is scheduled for publication in volume VIII.

told there was a special meeting in the Secretary's office to review outstanding matters followed by a plenary meeting. Mr. Stassen suggested that the press also be told that while in conference the Secretary and Mendès-France had heard of the Moscow press conference and had awaited a report so that they could have a short exchange of views concerning it. This was agreed.

No. 682

751.00/11-2954: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

CONFIDENTIAL PARIS, November 29, 1954—8 p. m.

2259. Political situation facing Mendes-France on his return from American trip is one of uncertainty even for France. Virtually all major political forces with exception Communists seem to be in state of flux. As result it is difficult to predict what success Mendes-France may have on any of various specific problems facing him, and it looks more than ever he may be forced rely on shifting majorities without any fixed majority support. Though not unusual this situation always causes Premier much scrambling to obtain favorable vote on *ad hoc* basis on each issue.

One possibility which has not crystallized but might render Mendes-France position acute is old tactical alliance between right and left extremes which plagued third force governments and made them in effect minority governments after withdrawal Socialists from government. This was mentioned in Embtel 2234 [2] and there are various indications pointing in this direction:

1) Communists have adopted policy all-out opposition to Mendes-France and now seem out to upset him (Embtel 2202). [3] They doubtless realize his initial strong following among neutralist and intellectual groups on left is minimizing Communist influence and in effect isolating Communists more than under previous regimes.

2) Bulk of moderates (Independents, ARS and Peasants) have always opposed Mendes-France, and he has never obtained many of their votes. Pinay and Reyaud have continued their opposition and the influential Independent leader Duchet is taking more and more

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[1] Repeated to London and Bonn.

[2] Telegram 2234 reported on an alleged conversation between Soviet Ambassador Vinogradov and De Gaulle and noted the extent to which the French Communist Party had been successful in obtaining allies on the far right in their fight against German rearmament. (751.00/11-2754)

[3] Telegram 2202 summarized several *Humanité* articles attacking the policies of Mendès-France. (951.61/11-2454)

virulent line both in interviews with press and in articles in Independent House organ.

3) One possibility in this connection is reversion at least some of Social Republicans to opposition. These ex-Gaullists have publicly indicated their reluctance be saddled with major responsibility reporting London and Paris agreements in assembly committees (Embtel 2208 [4]) and position of many may depend on De Gaulle's December 4 statement. Some of Gaullists will certainly support accords but others may defect.

4) Tactical anti-Mendes alliance between rightwing groups may be sealed by general rightist opposition to his North African policies. Independents and ex-Gaullists are most influential French parties in North Africa and have bulk of colon clientele. As result they tend strongly to follow policy advocated by colons which is that of repression.

5) Specific instance of possible things to come was moderates (Independents, Peasants, and ARS) support along with Social Republicans for communist-proposed measure reducing taxes which Mendes-France desired to impose on bouilleurs du cru (legalized "moonshiners"). This alliance passed measure, which of course affected farm elements being wooed by communists and peasants and industrial clientele of Independents and Social Republicans, by vote of 264 to 220 (Radical Socialists, MRP and UDSR opposed) with Socialists abstaining. While issue is not settled and measures have not even been debated this vote shows how easily Mendes-France can be placed in minority on issue such as this where Socialist interest does not follow Mendes policies.

6) Gaullist vacillation towards Mendes-France is having direct bearing on MRP position. While bitterness towards present government remains in MRP quarters, this strongly pro-Atlantic Party would hardly be able afford let London agreements be rejected because of switch of Gaullist votes and MRP votes probably available if required. Over weekend Schuman spoke in favor of ratification London accords. Furthermore vote on alcohol issue mentioned in para 5 above shows MRP can vote with government if required, and some of its members have previously on North African policy.

7) Conclusions to be drawn from above straws in wind hardly firm. Tendency may be for Social Republicans to give him less votes. This could be compensated by MRP support since many MRP policies such as on North Africa not too distant from those of Mendes-France.

8) Soutou states Mendes today more cheerful over domestic political situation than since his return fom U.S. following talk with Palewski who apparently indicated De Gaulle's December 4 speech would not be as bad as feared (Embtel 2258 [5]).

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[4] Telegram 2208 reported on the prospects for ratification of the Paris accords by the French National Assembly. (751.00/11-2454)

[5] Telegram 2258 summarized a conversation with Claude Guy, former private secretary to De Gaulle in which Guy verified that De Gaulle had met with Soviet Ambassador Vinogradov at De Gaulle's country home 3 weeks before. Guy then explained De Gaulle's views on several issues, including his desire to maintain cordial relations with Ambassadors of all major governments. Guy also noted De Gaulle's desire to renew contact with the American Ambassador. (751.00/11-2954)

Only firm conclusion possible is that Mendes parliamentary situation typically confused and normally shaky and will require all of his great maneuvering abilities to prevent deterioration either over budget or North Africa after ratification London accords which still appears safe, provided no new unfavorable element enters situation before debate.

DILLON

No. 683

EUR files, lot 59 D 233, "Letters—France, July–Dec. 1954"

The Ambassador in France (Dillon) to the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL
OFFICIAL–INFORMAL

[PARIS,] December 2, 1954.

DEAR LIVIE: Embassy's telegram number 2258 [1] reported, among other things, that de Gaulle expressed an interest to Bill Gibson, through one of the members of his personal staff, in resuming personal contact with the American Ambassador in Paris.

I do not know the full details of what led to the rupture of personal relations between the Embassy and General de Gaulle in 1947 or 1948. Whatever the circumstances at that time, I feel that there is nothing to be gained by continuing to maintain a standoffish attitude. General de Gaulle's situation has considerably changed, as he is no longer a leader of an active political party, and I think it would be worthwhile for me to see him.

In view of the past history in this affair, I thought it best, however, to get your concurrence before proceeding to make the necessary arrangements. My idea would be to see him sometime in January after the ratification of the Paris accords and depending, of course, upon circumstances at the time. However, I would like to respond to the feeler by his staff as promptly as possible by having Gibson inform Claude Guy that I would like very much to see the General, and will expect to be in touch with him sometime after my return from the United States.

I would very much appreciate your views.

Best wishes,

As ever,

DOUG

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[1] See footnote 5, *supra*.

No. 684

EUR files, lot 59 D 233, "Letters—France, July-Dec. 1954"

The Assistant Secretary of State for European Affairs (Merchant) to the Ambassador in France (Dillon) [1]

CONFIDENTIAL [WASHINGTON,] December 8, 1954.

DEAR DOUG: I have your letter of December 2 [2] about resuming normal personal relations with General de Gaulle. I agree with you that in view of the gradual change in General de Gaulle's political position and activities in the last 18 months, there is no reason why you should not re-establish such contacts with him as seem to you appropriate.

According to my recollection, the absence of official relations with de Gaulle from 1947 onward was due entirely to the very violent position he took not only against all the French non-communist parties but even against the parliamentary regime, as such. However now that he has moderated his public attitude in this respect, I see no reason why you should not go ahead. I think that it would be better, as you suggest, not to see him until after the ratification of the Paris accords, at least by the Assembly.

With best wishes,

As ever,

LIVINGSTON T. MERCHANT

[1] Drafted by Tyler.

[2] *Supra.*

No. 685

751.001/12-1654: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

CONFIDENTIAL PARIS, December 16, 1954—7 p. m.

2578. 1. With approach of debate on ratification London-Paris Agreements, [2] it may be useful to Department to have our views on current activities and present strength of Communist Party of France.

[1] Repeated to Moscow, London, Rome, Bonn, Berlin, The Hague, Brussels, and Vienna.

[2] For documentation concerning the ratification debates in the French National Assembly on the London-Paris Agreements, see vol. v, Part 2, pp. 1370 ff.

2. While Communist press has continued its strident campaign against ratification, this must be viewed in context of the almost certain drop in party membership, the fall in morale and declining circulation of the principal daily, *Humanité*. It is unanimous consensus of all sources open to us, ranging from the Socialists to the right, that PCF is going through period of internal crisis caused largely by its excessive if not complete concentration on Soviet foreign policy objectives at the expense of anything that could bring comfort to the French working class. While no precise figures are available, we have been informed by various reliable sources that current campaign for the taking out of party cards is probably 10 percent below the comparable figure for same time last year. Despite constant exhortations, there is no question but that *Humanité* is slipping badly, and that it is read by only fraction of Communist voters. From day to day this newspaper has been filled with virtually nothing but antiratification campaign; PCF has done little or nothing to push demands for higher wages and better living conditions, and indeed much of wind has been taken out of its sails in this regard by government's current budget with its emphasis on more low-cost construction, better provisions for education, etc. It is a striking fact that Socialist leadership seems particularly impressed by the social provisions of the Mendes-France budget and feels that if they are consistently pursued it will inevitably lead to a drop in support for the Communists.

3. Further evidence that PCF in going through somewhat of an internal crisis can be read into general abstention from attendance at National Assembly sessions of more prominent PCF leaders, such as Torez, Duclos, Casanova, and Fajon. It occurs to us that their absence, and fact that party speech in Assembly tend to be made by second or third rate leaders, bespeaks uncertainty on part of Party leadership with respect to current objectives. Some of our sources go so far as to say that PCF leaders privately admit that their efforts to prevent French ratification of the London–Paris Agreements are proving abortive. Whether or not that is true is somewhat academic, however, since Party is doing all in its limited power to prevent ratification.

4. In our view, striking difference between the present situation and that immediately preceding defeat of EDC is fact that alliance between Communists and neutralists temporarily at least has been broken. Embassy has reported on more than one occasion, such newspapers as *Le Monde* in general have been giving full support to Mendes-France and his program, and many parliamentarians and intellectuals who had been forthright in their opposition to EDC seem reconciled to, if not enthusiastic proponents of, WEU. All this is not to say that Mendes-France has plain sailing ahead,

for his many political enemies may yet concert to bring him down. However, as of this moment Communist power seems on wane and future of the party does not seem promising.

Clearly what has been regarded in French circles as dignified and calm attitude of U.S. to Soviet campaign of "peaceful coexistence", and contrast to the sterility of recent Soviet notes on European problems, has contributed to the relative impotence of the Communists in this country. Communist meetings by and large are being ignored by the non-Communist press, and the government, by taking such actions as the recent refusal to give visas to Soviet and satellite delegates to a Communist-sponsored meeting held in Paris, December 11–12, to oppose ratification of London–Paris Agreements has somewhat dampened Communist fire. While PCF, through some transparent device of a simply-phrased wording opposing "rearmament revengeful Germany", claim to have garnered two and half million signatures, this "success" appears to have made only slight impact on average Frenchmen if judged from the non-Communist press.

DILLON

No. 686

Editorial Note

On December 30, the French National Assembly ratified the Paris Agreements, opening the way for membership of the Federal Republic of Germany in the North Atlantic Treaty Organization. For documentation concerning the French ratification vote, including an exchange of correspondence between President Eisenhower and Prime Minister Mendès-France, see volume V, Part 1, pages 571 ff.

The following Monday morning, January 3, 1955, Secretary Dulles had a telephone conversation with Secretary of Defense Wilson and "the two Secretaries agreed that we [the United States] should take off all holds we have on France (vis-à-vis offshore procurement, military aid, etc.)." (Memorandum by W. K. Scott, January 5, 1955; EUR files, lot 59 D 233, "France, 1950–1955")

ICELAND [1]

UNITED STATES INTEREST IN THE EXTENSION OF THE UNITED STATES-ICELANDIC DEFENSE AGREEMENT OF MAY 5, 1951

No. 687

Secretary's Letters, lot 56 D 459, "DOD—Jan.–June 1952"

The Secretary of Defense (Lovett) to the Secretary of State

TOP SECRET WASHINGTON, February 17, 1952.

DEAR MR. SECRETARY: You will recall that the North Atlantic Ocean Regional Planning Group invited the Governments of Iceland and the United States to reach agreement concerning the fulfillment of certain military operating requirements in Iceland (NAOR/32 CC/50, 16 November 1950 [2]). Among the requirements stated in the invitation were a maritime and fighter air base, a transient air base and a strategic air base. The first two of these requirements have been met by the present arrangements under the agreement with Iceland of 5 May 1951, [3] permitting limited United States military operations in the area of Keflavik Air Field. The strategic air base requirement has not yet been implemented. The expanded defense program has now created an urgent need for the development of this strategic air base and for certain other military operating rights not covered by the present agreement with Iceland.

I have been advised that the Secretary of the Air Force has held informal discussions with Mr. Lawson, United States Minister to Iceland, and representatives of your Department with regard to procedures to be followed in initiating and conducting the negotiations for the additional requirements. I understand that it was informally agreed that these negotiations would be initiated based upon the total military requirements of the three Services which are now known. Accordingly, there is attached a statement of all

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[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 480 ff.

[2] Not found in Department of State files.

[3] For text of the Defense Agreement Pursuant to the North Atlantic Treaty Between the United States of America and the Republic of Iceland, see *United States Treaties and Other International Agreements* (UST) vol. 2 (pt. 1) 1195, or Department of State *Bulletin*, May 21, 1951, p. 812.

presently known U.S. military requirements in Iceland.[4] This statement of requirements is furnished to you as a guide in the conduct of the negotiations. If, in your opinion, it is politically inopportune to seek the rights to implement all these requirements at this time, this Department will cooperate in meeting the political situation by deferring all but those most urgently desired for immediate implementation. You are advised, however, that due to the length of time required to develop a new air base, the right to select a suitable agreed area and to develop thereon a new air base is of the greatest urgency.

The military rights for the implementation of the above-mentioned military requirements, if successfully negotiated, will require amendment to Technical Schedules Nos. 1 and 2 of the defense agreement between the United States and Iceland of 5 May 1951. Proposed amendments are attached[5] for use as a guide by your representatives in their conduct of the negotiations.

For your information tentative programs now under consideration for Fiscal Year 1953 provide for both the development of this additional air base and for further development of Keflavik Air Field.

On the basis of the above information, it is requested that you open negotiations with the Government of Iceland for the military rights necessary to implement all or a part of the stated requirements. This Department is prepared to provide your representatives appropriate military personnel, as technical advisors, to aid in the conduct of negotiations upon your request.

I would appreciate being kept informed of the progress of these negotiations and assume that you will afford me the opportunity of reviewing and concurring in any arrangements with Iceland prior to their conclusion.

Sincerely yours,

ROBERT A. LOVETT

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[4] No statement was found attached to the source text. For a summary of these requirements, see Document 689.

[5] Not found attached to the source text.

No. 688

740b.5 MSP/3-1052

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

TOP SECRET WASHINGTON, March 10, 1952.

Subject: Additional Aid for Iceland

Participants:

MSA	BNA	USAF
Mr. Hopkinson	Mr. Raynor	Mr. Newmark
Mr. Gordon	Mr. Ronhovde	
Mr. Woodbridge	Mr. Byrns	

At a meeting on March 10, representatives from State, Air Force, and MSA discussed the advisability of giving additional indirect aid to Iceland through EPU during the FY 1952.

The representatives from MSA stated that Iceland desires additional MSA funds during the present fiscal year but, on economic grounds, Iceland's case is not strong. MSA has suggested that the foreign exchange required could be obtained by Iceland's drawing on its EPU quota or deliberalizing, steps which Iceland claims are not possible without a political crisis.

I pointed out that there were rather serious political implications involved, which have been confirmed by telegrams from our Minister in Reykjavik, Mr. Lawson. [1] I said that, because of the coming negotiations for additional military facilities, we believed it would be most unfortunate if a cabinet crisis and elections led to a chaotic state during which no negotiations could be carried on. Furthermore, the political parties might put the blame on us, holding that the U.S. was not carrying out its commitments made under the Marshall Plan. It would be most unfortunate if a cabinet reshuffle led to the dropping of the present Foreign Minister, Bjarni Benediktsson, who was ahead of the Government and people in meeting our defense needs.

Mr. Newmark declared that the Air Force considered Iceland in the top priority category. He pointed out that Mr. Finletter had considered the country to be of such strategic importance that he had made a particular effort to discuss our requirements there with Minister Lawson personally. Mr. Newmark believed that additional funds should be made available to the Icelanders in order to

[1] Telegrams 130 and 132, Mar. 8 and 9, from Reykjavik; each offered the opinion of the Minister in Iceland that failure to provide aid to Iceland under the Mutual Security Act would result in political instability within the government. (740b.5 MSP/3-852 and 3-952)

sweeten the atmosphere for the coming negotiations and to soften some of the discontent which has resulted from the slowness of our defense program in Iceland. He said that if MSA funds could be given Iceland this fiscal year it would help tide them over until our construction program got more fully under way. MSA accepted Mr. Newmark's offer to furnish a memorandum from Air Force or Defense to support the desirability, from the military point of view, of giving these funds to Iceland. [2]

Mr. Hopkinson said (with Mr. Gordon and Mr. Woodbridge in agreement) that although meeting Iceland's request could not be justified solely on economic grounds, MSA was aware that there were politico-military reasons which could so justify it. MSA was willing to approach Harriman's office for approval of this additional aid, which it was thought should be approximately 2 ½ million dollars.

Mr. Byrns said that the 2 ½ million dollars would not guarantee the success of the negotiations, which would be most difficult, but that everything possible must be tried that would help to move them forward. Mr. Ronhovde pointed out that we had also to remain on friendly terms with the Iceland Government in order to continue to live under the present defense agreement.

I said that I believed that it was clearly in the national interest to make this grant to Iceland, and that it could be justified before Congress if necessary. I agreed to send a memo to MSA giving State's views on the political implications. [3]

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[2] In fulfillment of Newmark's offer, Secretary Lovett sent to Harriman on Apr. 5 a letter in which the argument was made that the appropriations for military construction in Iceland, amounting to $29.5 million for fiscal year 1952 and approximately $23 million for fiscal year 1953, would not substantially alleviate the economic difficulties which Iceland was then experiencing. Lovett therefore recommended that additional economic aid be extended to Iceland through the Mutual Security Program. (711.56340B/4-552)

[3] It is not clear whether a memorandum of the sort mentioned here was sent to the Mutual Security Agency, since none has been found in Department of State files. In any case, according to telegram 153 from Reykjavik, Apr. 10, the Mutual Security Agency agreed on Apr. 8 to grant to Iceland an additional $2 million economic aid for fiscal year 1952. (740b.5 MSP/4-1052)

No. 689

711.56340B/5-2052

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET WASHINGTON, June 12, 1952.

Subject: Additional Military Operating Requirements in Iceland.

There is attached an instruction prepared for your signature directing Mr. Lawson to open negotiations with Iceland for additional military operating rights. [2]

There has been some criticism from the Icelandic Government to the effect that the U.S. has not fulfilled its commitments for the defense of Iceland (e.g., has not stationed fighters in Iceland), and the Icelanders may feel that this should be done before requesting additional facilities. However, these new requirements will, in time, add to the defense of Iceland and also mitigate its unemployment problem which this past winter caused the Government concern. It is believed that these negotiations can be attempted soon, probably immediately following the presidential elections on June 29, although the exact timing of the approach is being left to Mr. Lawson.

. . . . . .

You will recall that in November 1951 the Icelandic Foreign Minister inquired whether the U.S. had any plans to make Iceland an atomic base and he was informed (Deptel 98, December 21 [3]) that the U.S. had no intention of going beyond the 1951 Defense Agreement and would not do so without full consultation with, and the agreement of the Icelandic Government. Defense understands that the Defense Agreement does not give the U.S. the right to operate out of Iceland with atomic bombs. . . .

The original invitation from the North Atlantic Ocean Regional Planning Group made to the Governments of Iceland and the United States calls for the establishment of a Strategic Air Command base in Iceland. [4]

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[1] Drafted by Byrns.

[2] Instruction 27, June 20, authorized Minister Lawson to initiate the negotiations on the basis of the military requirements outlined in Document 687.

[3] Not printed. (711.56340B/11-2451)

[4] Reference is to NAOR/32 CC/50, Nov. 16, 1950, not printed, but see Document 687.

No. 690

Editorial Note

Immediately after the Icelandic presidential elections on June 29, Minister Lawson, in compliance with his instructions of June 20 (see footnote 2, *supra*), initiated informal discussions with the Icelandic authorities concerning the acquisition by the United States of additional base rights in Iceland. These discussions, which were carried on primarily by Minister Lawson with occasional assistance from such persons as Secretary of the Air Force Finletter, Assistant Secretary of the Air Force Huggins, General J. Lawton Collins (see the memorandum of conversation, *infra*), and certain lesser officers from the Air Force and Navy, continued into early 1953. Documentation concerning the discussions is in file 711.56340B.

No. 691

740B.5/10-1052: Despatch

The Minister in Iceland (Lawson) to the Department of State

TOP SECRET REYKJAVIK, October 10, 1952.

No. 93

Subject: Memorandum of General Collins' Conversation With the Minister for Foreign Affairs; Facilities for the Defense of Iceland.

There is enclosed a copy of a memorandum of conversation on the above subject,[1] which describes briefly the general trend of conversation between General Collins and the Minister for Foreign Affairs.

As had been indicated in that memorandum, the principal advantage of General Collins' visit to Reykjavik and his courtesy call on the Minister for Foreign Affairs devolved from their discussion of Iceland's strategic position in the over-all defense program for the North Atlantic area and the emphasis placed on the need for defense facilities in Iceland which will be available for immediate action. Obviously, the General's comments and tone of conversation were greatly appreciated by the Foreign Minister. It is believed that he felt that he was obtaining very valuable and useful authoritative information from an important high-ranking official of the United States military organization and that such information could be effectively used by the Foreign Minister in his efforts to

[1] Not printed.

convince his colleague in the Government and others of the importance of having at least minimum defense forces and facilities ready for operation in Iceland. In fact, he said to the General, when the latter was leaving his office, that although the comments made were "common sense", as the General had remarked, serious consideration would be given them due to the fact they came from the General rather than from the Minister for Foreign Affairs alone.

EDWARD B. LAWSON

No. 692

711.56340B/1-1653: Telegram

The Minister in Iceland (Lawson) to the Department of State

TOP SECRET
PRIORITY

REYKJAVIK, January 16, 1953—2 p. m.

153. Pass Akers OSAF. Department Instruction Number 27, June 20, 1952; [1] letter December 19 to Ronhovde. [2] Foreign Minister informed me in conversations yesterday and today that after long consideration all factors he regretfully concludes it definitely unwise from viewpoint Icelandic Government to grant principal additional military facilities we propose, prior to general elections coming June. This pertains to base X-ray program and any other items similar character involving formal decision Icelandic Government. He willing review program with me in effort meet my request that permission be granted for every possible element of program in which time important factor and which would not seriously conflict with above-mentioned Icelandic Government policy. I am hopeful such items as rotational training at Keflavik, needed additional personnel for AC and W and for navy patrol squadron will be included, but no assurance any specific item yet.

Foreign Minister made decision recognizing probable favorable recommendations from General Oen, [3] after review "operational paper" [4] and with full consideration present military urgency as

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[1] See footnote 2, Document 689.

[2] Not found in Department of State files.

[3] In October 1952, the Icelandic Government requested the Norwegian Government to send an experienced military planner capable of making an independent appraisal of the U.S. military requirements which had been under negotiation since late June. The Norwegian selection for this mission, General Oen, arrived on Jan. 7 and had not yet submitted his recommendations when the Icelandic Government informed Minister Lawson that the negotiations could not be continued.

[4] In the course of a visit by Finletter to Iceland in early August and during subsequent conversations between Lawson and Icelandic authorities, the Icelandic Gov-

Continued

constantly called his attention by me and explained to Icelandic Government by various US Pentagon officials. I argued for decision immediately following General Oen's comments which I thought would make widespread favorable impression public and suggested presently unknown attitude newly organized Social Democrat Party might prove to be favorable, thus warranting immediate Icelandic Government action. Despite these arguments Foreign Minister insisted political risk too great and he absolutely convinced preelection granting requirements would contribute materially to strength of CP in elections.

Although keenly disappointed this postponement, feel that further protests my part, following my frequent and persistent urgings during past six months would avail little. Last resort seems be NATO approach through Icelandic NATO representative with tangible results decidedly questionable. Despatch follows. [5]

LAWSON

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ernment expressed its desire for a formal statement by U.S. negotiators of the overall role to be played by Iceland in U.S. policy. A 16-page "operational paper", drafted in the Department of Defense and transmitted to Reykjavik by instruction 2, Oct. 3, was the U.S. response to this request. (711.56340B/10-352)

[5] Despatch 197 from Reykjavik, Jan. 20, contained Lawson's judgment that the negotiations had broken down essentially due to the weakness that plagued the Icelandic Government since the death of the President of Iceland, Sveinn Björnsson, on Jan. 24, 1952. It also contained a memorandum of conversation, Jan. 16, which recorded the discussion between Benediktsson and Lawson mentioned in telegram 153. (711.56340B/1-2053)

No. 693

711.56340B/3-453

Memorandum of Conversation, by Paul O. Proehl of the Office of British Commonwealth and Northern European Affairs

TOP SECRET WASHINGTON, March 4, 1953.

Subject: Negotiations for Additional Military Facilities in Iceland

Participants: Mr. Anthony B. Akers, Special Assistant to the Secretary of the Air Force
Colonel Bell, USAF
Colonel Focht, USAF
Mr. Raynor—BNA
Mr. Ronhovde—BNA
Mr. Rogers—RA
Mr. Proehl—BNA

Mr. Raynor stated that the meeting had been called because it appeared that the Morse–Long report,[1] on overseas bases and Congressional attitudes in general obtaining at this time suggested the necessity of considering whether the American Minister to Iceland should continue in his attempts to open formal negotiations for additional military facilities in Iceland. Mr. Raynor stated that there was some cause for apprehension that even if an agreement were negotiated, which could not be accomplished without great risk on the part of the present Icelandic Government, Congress might refuse to make funds available to implement it, and that this would have serious repercussions in Iceland. He asked that the Air Force representatives state their view of what the present and expected status of the Icelandic project was.

Colonel Bell stated that the additional requirements had been approved by the Joint Chiefs of Staff and would not go back to that body for review. However, the Icelandic requirements were included in the current review being made by the Office of the Secretary of Defense. Colonel Bell expressed his opinion that the Icelandic program would not be cut out. He had referred this question to the Installations Board, and they had reaffirmed the high priority of the Icelandic program. Funds amounting to $25 million were already authorized in FY–53, subject, of course, to the current review. The Air Staff was reviewing the Air Force overseas program and referring its recommendation back to OSD. What the picture would be after the review was unknown; there would possibly be cuts in "frills" but Colonel Bell said again he believed the program would be substantially unchanged.

Mr. Raynor asked whether dependent housing would be cut out, to which Colonel Bell replied that it probably would not, since dependent housing was not considered a "frill", but on the contrary was considered essential. Colonel Focht stated that a recent communication from General Brownfield indicated that planning on dependent housing for Keflavik was proceeding and that consequently, plans were being made to extend the period of service in Iceland for military personnel with dependents to two years.

Colonel Bell stated that if an agreement were reached between now and June, and assuming that the current review did not eliminate the program, $25 million would be the limit of spending that would be possible during this calendar year, and that this amount would certainly do until FY–54 funds were made available. Colonel Bell said it was his opinion that if the U.S. secured the agreement with the Icelandic Government for the additional facilities, funds for FY–54 could be secured. Even if the FY–53 figure of $25 million

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[1] Not further identified.

was cut by the current review, it could probably be restored if an agreement were reached subsequently since the possibility of transfer does exist. Colonel Bell asked whether this entire discussion were not academic in view of the fact that an agreement did not seem probable in the near future.

Mr. Raynor stated that a slim possibility of reaching an agreement did exist. He referred to the most recent communication from Mr. Lawson (despatch No. 230, February 17, 1953 [2]) which stated that if the matter of additional American facilities in Iceland became an election campaign issue in Iceland, the Government might be inclined to enter into negotiations with us on the assumption that they had nothing further to lose by negotiating an agreement, and then would attempt to make the best of it by pointing to the long-range economic benefits to Iceland which would proceed from such an agreement. That was a source of concern: If the Agreement were negotiated in the face of heavy opposition and on the promise of considerable economic benefit, and subsequently we could not implement the agreement because Congress refused to supply the funds, the Government and the U.S. would be in an extremely embarrassing, if not untenable, position with respect to the Icelandic populace.

Mr. Akers stated that despite the negative implications of the Morse–Long report and because of the high priority which the Icelandic program continued to have, he was doubtful that there would be any obstacles to securing the necessary funds if the necessary agreement with the Icelandic Government were secured. Mr. Raynor stated that this was the information the Department of State desired. Colonel Bell stated that the basis of the Air Force view rested in part on the assumption that Congress would not interfere with the deployment plans for the 143 group Air Force, which continued to be a U.S. objective. In other words, Congress having authorized an Air Force of this size, it was expected that Congress would likewise provide money for the facilities to deploy it properly, at least to the extent of meeting minimum requirements.

Mr. Rogers stated that he believed this assumption to be valid, and furthermore that even if the 143 group goal were abandoned, the Icelandic and UK base programs would remain as the "hard core" which absolutely could not be cut out.

Mr. Raynor stated that on the basis of this information it appeared the American Minister should be permitted to move ahead should it be possible to do so.

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[2] Not printed. (711.56340B/2–1753)

There was further discussion amplifying and clarifying some of the points made above.

No. 694

Editorial Note

On the basis of decisions reached in the meeting of March 4 (see the memorandum of conversation, *supra*), Minister Lawson was instructed in telegram 152 to Reykjavik, March 17, to "continue to exploit every feasible opportunity to proceed with negotiations for additional facilities consistent with overriding political considerations." (711.56340B/3–1753) For reasons having to do with the parliamentary election campaign then underway in Iceland, the reopening of negotiations proved impossible during the spring and summer of 1953. The results of the election of June 28 further complicated prospects of negotiations because of the inability of any single party or coalition to form a government. By the time a government was finally formed on September 11, a question had arisen in Washington as to whether adequate funds then existed for the development of the military concessions which the United States desired from Iceland. (Letter from Matthews to Wilson, September 18; 711.56340B/5–453) By the time this question had been answered affirmatively (letter from Halaby to Dulles, October 6; 711.56340B/10–653), it had become clear that the attitude of the new Icelandic Government toward the resumption of negotiations was anything but favorable. (See the memorandum from Raynor to Merchant, *infra*.)

No. 695

740B.5/11–2553

Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) to the Assistant Secretary of State for European Affairs (Merchant) [1]

SECRET [WASHINGTON,] November 25, 1953.

Subject: Situation in Iceland

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[1] Drafted by Proehl.

Discussion:

I am much concerned about the steadily deteriorating public attitude in Iceland toward the need for a sustained Western defense effort, which is being specifically expressed in demands that the U.S.-Icelandic Defense Agreement of May 1951 be amended to curtail the scope of U.S. operating rights in Iceland. This has developed particularly, and rather spectacularly, since the new Government was formed in Iceland in September.

The Icelandic public has never been markedly sympathetic to the presence of U.S. defense forces in Iceland. The successful negotiation of the 1951 Agreement was due, on the Icelandic side, to the drive and foresight of a mere handful of government leaders, in particular the-then-Foreign Minister Bjarni Benediktsson. The implementation of the Agreement, which proceeded smoothly enough initially has become a source of annoyance to various Icelandic economic interests and an object of attack by nationalist and isolationist elements. Delays in construction, alteration of plans, the inability of Icelandic contractors to bid favorably, the sometimes "free-handed" labor relations policies of the American prime contractor, have been some of the causes of dissatisfaction.

Other attacks have been aimed against the association of U.S. troops with Icelanders, operation of the Iceland Defense Force radio (programs designed for G.I. listening, and very popular also with Iceland's young people), the privileges accorded our troops in P.X. purchases, the difference in wage scales of U.S. workers and troops on one hand, and Icelandic workers at Keflavik on the other, exemption from Icelandic customs duties of U.S. matériel, the wear and tear on Icelandic roads and facilities by U.S. troops, and indications that the U.S. is seeking an expansion of its present rights in Iceland.

The Icelanders' basic "anti-foreign army attitude" has received considerable impetus from the Soviet "peace drive" which followed Stalin's death and on which the Communists in Iceland have capitalized. This drive has persuaded many Icelanders—and the belief has mushroomed—that the reasons for putting up with the "evil of a foreign army" have become less cogent. In fact, complacency has set in to an alarming degree, based on what appears to be a rather widespread impression that the cold war, if not over, is tapering off comfortably. While thus far only a minority would abrogate the Defense Agreement, a majority is apparently in favor of making greater demands on the U.S. and qualifying more sharply the terms under which we are "permitted" to defend Iceland. In brief, the concept of Western defense is finding itself in a "buyers market" in Iceland.

. . . Government in this small community is likely to be swayed by the popular opinion steadily being whipped up by elements either hostile to the U.S. or unsympathetic to the idea of integrated Western defense. Indeed, the situation is such that we may be faced with the problem of keeping what we already have in Iceland, rather than being in a position to secure additional facilities. . . .

Recommendations:

The following are tentative suggestions, rather than recommendations, which I should like to discuss with you:

(1) In anticipation of an Icelandic request to re-negotiate the Defense Agreement, and in a genuine effort to get to the bottom of the various sources of annoyance and dissatisfaction, we might send a State–Defense team to Iceland to sift through the various charges together with Icelandic authorities. This would serve at least to clear the air of what we believe are many unfounded complaints which would place us at a serious disadvantage in re-negotiation if they were not previously cleared up. At the optimum, such a joint examination of the problem might convince the Icelanders that re-negotiation is not warranted or desirable.

(2) Because there have been serious "gaps" or delays in what is known in Washington, both in Defense and State, and in Reykjavik by the Legation, of how the Defense Agreement is being implemented, and because the Defense Force operates at a distance of 35 miles from the Legation without benefit of continuing political advice, I believe we should consider assignment of a capable FSO–3 as First Secretary in the Legation to serve as liaison officer with General Brownfield's staff at Keflavik. We would hope that such a man could do much toward achieving better relations between the IDF and the Icelandic authorities, and toward scotching sources of annoyance and rumors before they assume harmful proportions.

(3) Our USIA program in Iceland is currently running on two cylinders, relative to the job it should be doing. We have a tremendous public relations job in Iceland that we are trying to do with pennies. The Russians are making an all-out effort including the sending of concert artists, "cultural" and propagandists into Iceland in numbers, and these are being well received. During the past year, our one achievement in this line has been the visit of the Air Force Band in February 1953. USIA, Reykjavik, has lost one American and four locals in the RIF. Owing to the RIF Reykjavik lost its radio operator and has now been without the wireless bulletin for over five weeks. A new operator is to arrive in Iceland December 7. Icelandic newspapers have depended heavily on the bulletin because costs prohibit all but a very limited use of commercial press services. We should make a request for reconsideration of USIA's budget for Iceland with the view to doubling to trebling it. We have a tremendous investment in Iceland and we want to put more in it; it is the worst sort of economy not to protect it with a maximum program designed to win popular support, or at least to minimize public opposition.

(4) Another factor contributing to our burden of maintaining a positive Icelandic attitude on defense is the Iceland-Soviet trade agreement signed August 1, 1953, wherby Iceland is disposing of large quantities of fish and is receiving such commodities (normally paid for in dollar or sterling) as oil, gasoline, and cement in sufficient quantities to take care of Iceland's entire annual needs. Russia has reaped a harvest of good-will in Iceland as a result. Meanwhile, private trawler interests in Great Britain have been boycotting the landing of Icelandic fish in Britain, which has aroused considerable feeling against Britain in Iceland, and the U.S. Tariff Commission in October held hearings on the application of U.S. fishing interests for the imposition of quotas and higher duties on the import of frozen fish fillets.

(5) The situation in Iceland as in many other Western European countries, underlines the need for an early statement by the President, along the lines of his April 16 speech, [2] pointing out that the Soviet peace drive is over if indeed it ever existed, that the Soviet Union has reverted to its true hard line, and that Soviet ambitions and aggressiveness threaten the West as seriously under Malenkov as they did under the guidance of Stalin. A communiqué pointing this up following the Bermuda conference would also be of considerable help. [3]

(6) I believe that you, and the Secretary also if feasible, should use the opportunity which will present itself at the December NATO meeting at Paris to meet with the Icelandic Foreign Minister, Dr. Gudmundsson, to arouse in him and his Government a higher sense of Iceland's responsibilities as a NATO member and to urge upon him the need for the highest degree of cooperation by Iceland in our mutual defense effort. [4]

(7) You may wish to consider calling Minister Lawson to Washington for consultation so that we may have his views of the situation and discuss the proposals set forth above. He can come by MATS with little expense, therefore, involved.

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[2] The speech, entitled "The Chance for Peace," was delivered before the American Society of Newspaper Editors. For text, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 179–188.

[3] For documentation concerning the Bermuda Conference, Dec. 4–8, 1953, see vol. v, Part 2, pp. 1710 ff.

[4] For an account of Dulles' meeting with Gudmundsson at the North Atlantic Council meeting in Paris, Dec. 14–16, see Document 697.

No. 696

740B.5/12-753

The Foreign Minister of Iceland (Gudmundsson) to the Minister in Iceland (Lawson) [1]

CONFIDENTIAL REYKJAVIK, December 4, 1953.

EXCELLENCY: I have the honor on behalf of my Government to submit the following proposals regarding the Defense Agreement and related agreements and their implementation.

1. The construction activities on behalf of the Defense Force be arranged in such a manner that engagement of foreign labor be entirely avoided and at the same time due consideration be given to the demand for manpower by the Icelandic industries and production. It should also be stressed that the installations to be constructed may become useful for other as well as defense purposes. Evacuation of foreign labor engaged by the Defense Force should be commenced as soon as practicable.

2. The Icelandic State will act as an intermediary in construction activities and maintenance of installations for the Defense Force. The State will either invite tenders for the projects or have them performed in the same manner as now is the case as regards road construction to the contemplated Radar-sites.

3. The defense areas be planned in such a manner so as to separate distinctly the area occupied by the Defense Force and its alien employees and that occupied by Icelanders in order to facilitate the control of these limits.

4. Further restrictions than now existing be put on leave excursions of members of the Iceland Defense Force and its employees outside the defense areas. The Icelandic Government should issue regulations to this effect, but as a matter of course, it would have due cooperation in this respect with the Iceland Defense Force.

5. The possibilities of Icelanders manning the contemplated Radar Stations on behalf of the Iceland Defense Force be investigated as well as the possibilities of Icelanders undertaking other categories of work in connection with security measures. The training for this purpose of Icelandic personnel be commenced as soon as practicable.

Besides the questions dealt with above it is desired that the following points be either taken up for negotiation or into careful consideration.

1. Necessary housing facilities at the Keflavik Airport for Icelandic officials and employees of the Icelandic Government.

2. Running of the Keflavik Airport Hotel.

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[1] The source text was transmitted as enclosure 1 to despatch 154 from Reykjavik, Dec. 7. Transmitted as enclosure 2 was a memorandum by Gudmundsson to Lawson, Dec. 4, which presented in greater detail the requests made in this letter.

3. Measures for prevention of sale of duty-free commodities to Icelanders.
4. Expenses of the Icelandic Government arising from the Defense Agreement.
5. Discussions and settlement of other problems that may arise in the future as a result of the execution of the Defense Agreement.

I have [etc.]

KRISTINN GUDMUNDSSON

No. 697

Conference files, lot 60 D 627, CF 169

Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Merchant)

TOP SECRET PARIS, December 15, 1953.

Participants: The Secretary of State
The Icelandic Foreign Minister, Dr. Kristinn Gudmundsson
The Icelandic Minister to Paris, Peter Benediktsson
Mr. MacArthur
Mr. Merchant

On the Secretary's invitation the Icelandic Foreign Minister accompanied by the Icelandic Minister to Paris called at the residence this afternoon at 3:15 and spent approximately three-fourths of an hour with the Secretary. [1] They were most friendly and obviously pleased at the opportunity to talk privately with the Secretary.

The Secretary opened the conversation by stating the importance the US attached to good relations with Iceland as a neighbor and a member of NATO. He pointed out the increased importance of Iceland in the air age. He then said that he had had the opportunity last week in Washington to discuss with Minister Lawson some of the problems in connection with the execution of our base agreement with Iceland which the latter's government had brought to our attention. [2] He said that he thought it was important that

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[1] Secretary Dulles, MacArthur, and Merchant were in Paris for the NAC Ministerial meeting of Dec. 14–16, 1953. For further documentation concerning this meeting, see vol. v, Part 1, pp. 455 ff.

[2] Minister Lawson had returned to Washington on Dec. 5 for consultations with various authorities on the response to be made to the Icelandic Government's note of Dec. 4 (*supra*). No record of a conversation with Secretary Dulles has been found

Continued

friends should talk over difficulties together before they became serious and that needless to say we would do what we could to adjust them. The Secretary went on to say that we were living in a period of great danger and one in which the potential capability of the Soviet Union to strike through the air on the North American continent was increasing.

The Secretary then likened the present situation to the problem of the community faced by the risk of fire or outbreaks of lawless violence. He pointed out that experience had shown that the best way to deal with these problems was by banding together a fire department and police force which involved the payment of taxes and other inconveniences but which also gave assurance that no disaster would hit the community.

The Icelandic Foreign Minister at this point interjected that he wanted to make it clear that there was no change in his government's policy of support of NATO. He said however that essentially two things were troubling them. The first was the control of construction labor imported from America and the second was the economic impact of heavy construction expenditures with all their inflationary implications on a small economy. He added that with the withdrawal of the expenditures involved in this construction program Iceland would face a difficult problem. He pointed out that with 4000 American military and around a thousand American workers in a total population of under 150,000, the impact was considerable, particularly taking into account the difference in pay scales. The Secretary acknowledged the fact that these were problems but it was pointed out that one had to balance the military necessities of completing certain construction projects as rapidly as possible against the purely economic desirability of spreading them over a long period of time. The Secretary also referred to his understanding that the Icelanders were anxious to introduce into certain air control and radar operations Icelandic personnel. He said that on this entire complex of problems the US was anxious to be as helpful as possible and that to this end it was planned to send to Iceland in the near future a State-Defense team to discuss the problems in detail on the spot. He said that he had no doubt that we could make real progress and reduce to manageable proportions the residual points of friction.

The Icelandic Foreign Minister emphasized that one of their difficulties was the importance of being able to controvert the attacks on the program emanating from Communist and fellow traveller

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in Department of State files. Minutes of a meeting, dated Dec. 8, including Lawson and representatives of the Departments of State, Defense, Army, Navy, and Air Force, are in file 740B.5/12-853.

sources. At this point he was reminded that all our reports indicated that relations between the Icelandic people and the American troops themselves were good and that it would be unfortunate if the Icelandic Government felt it necessary to attempt to apply restrictions on the previous circulation of American troops in Iceland.

The conversation throughout was friendly and relaxed. The Foreign Minister gave every evidence of being pleased to have the opportunity to talk with the Secretary.

No. 698

Editorial Note

In pursuit of the course struck by Secretary Dulles in his conversation with Foreign Minister Gudmundsson at Paris (see the memorandum of conversation, *supra*), Minister Lawson submitted to the Icelandic Government a note, dated December 22, proposing discussions between a team of representatives from the Departments of State and Defense and representatives of the Icelandic Government for the purpose of solving the problems, specified in the Icelandic note of December 4, of implementing the 1951 base agreement. (740B.5/12-2353) Negotiations between the United States team and the Icelandic representatives began in Reykjavik on February 2, 1954. By March 5, the mission of the United States team, which was to conduct technical discussions on the questions raised in the Icelandic note of December 4, was complete, and the team returned to the United States. Negotiations over the outstanding political issues continued between Lawson and Gudmundsson. In late March, the Icelandic Government presented a draft set of understandings which Lawson transmitted to the Department of State in despatch 262, March 29. (740B.5/3-2954) For a summary of the primary issues under consideration at this stage in the negotiations, see the memorandum by Bonbright, *infra*.

No. 699

740B.5/4–1354

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Acting Secretary of State

SECRET [WASHINGTON,] April 13, 1954.

Subject: Negotiations with Iceland Concerning Implementation of the U.S.–Iceland Defense Agreement of 1951

The negotiations which began on February 2 have reached a critical phase owing to four points of difference: (a) whether the activities of the present U.S. prime contractor will be terminated on a date certain, or whether he will be allowed to remain as a "backstop" so long as required to "insure performance" by Icelandic contractors, (b) whether the U.S. will have the final decision on the question of the capability of an Icelandic contractor to do certain work, (c) whether U.S. personnel in Iceland are to be put under ostensibly severe "off-base movement" restrictions, possibly resulting in lowered morale and adverse publicity, although the Commander, Iceland Defense Force, believes he can live with the restrictions, which are to be liberally interpreted, (d) whether the U.S. will accept the Icelandic response granting only a portion of the additional facilities we requested in the negotiations.

On point (c), the "troop impact" problem, Under Secretary of the Air Force Douglas and an OSD representative take the position that regulation of "off-base movement" is a command function; that this matter should be removed from the Government level and be worked out between the Commander, Iceland Defense Force, and representatives of the Icelandic Government. This question is probably the crux of the problem and if it can be solved we are hopeful that (a) and (b) can be resolved.

We called this problem to the attention of the JCS at Mr. Murphy's informal meeting last Friday. [1] We merely wanted to flag the question in view of Lawson's apprehensions of unfavorable political developments which might flow from a failure to reach agreement. We are somewhat concerned by reports that the Chiefs are going into all aspects in some detail with a possibility they may come up with a very firm position which will make it more difficult for us to make concessions.

Coordination and clearance of a U.S. position in response to the most recent Icelandic position has been made more difficult by a time factor—we received the Icelandic papers ten days ago and

[1] A record of the meeting, dated Apr. 9, is in State–JCS Meetings, lot 61 D 417, "Meeting No. 101".

were asked to develop agreement so that the Icelandic Foreign Minister could present the results to Parliament prior to adjournment April 14. He will now report to the Althing, probably today on the basis of no agreement.

No. 700

Editorial Note

On April 13, the Joint Chiefs of Staff submitted to the Secretary of Defense a memorandum outlining their views on the problems noted in connection with the Icelandic negotiations in Bonbright's memorandum, *supra*. The Secretary of Defense transmitted the JCS memorandum to the Secretary of State under a covering letter dated May 3. (740B.5/5–354) On the basis of the views contained in the JCS memorandum and the concurrence of the Secretary of Defense in these views, the Department of State formulated and sent to the Legation in Iceland a new set of instructions for bringing the negotiations to a conclusion. Transmitted in telegrams 226, May 5, and 228, May 6, the 12-page set of instructions dealt with all of the aspects of military construction, United States troop restrictions, and additional military requirements at issue between the United States and Icelandic Governments. (740B.5/3–2954)

No. 701

740B.5/5–1154: Telegram

The Minister in Iceland (Lawson) to the Department of State

SECRET PRIORITY REYKJAVIK, May 11, 1954—9 p.m.

260. Inform OSD, OSAF, FOA and pass CINCLANT, Norfolk. Joint Legation-IDF message. Reference Department telegrams 226 and 228. [1] In meeting today, Foreign Minister expressed great disappointment at United States' reply. He said that it was unacceptable in every way. Furthermore, that US delegation had been informed that the Icelandic draft agreement represented their minimum position.

He was very critical of long delay which occurred in our replying to the March 29 detailed understandings. [2] He was shocked to note that, despite the fact that the US negotiators had been in frequent

[1] Neither printed, but see the editorial note, *supra*.
[2] Not printed, but see Document 698.

communication with Washington during entire discussions, "the reply was quite different from what we had expected. All points had been changed to our disadvantage".

He was particularly disturbed over our insistence on specific language, stating their agreement that US possesses the right to determine the capability of Icelandic contractors. (This forces them to take a position on the issue at this time. They have sought to avoid this development and have always held that they cannot do so now and they see no reason why a decision on this issue cannot be postponed until 1955 contracts are allocated, particularly since there is agreement that whole matter will be considered in the spirit of the 1954 allocations. Our persistent return to this position undoubtedly has reduced their confidence sharply with regard to our intent to give appropriate contracts to Icelanders.)

He also referred to our refusal to accept their proposed broad language re the phasing-out of present prime contractor. He noted that there was no provision made in our proposals covering this point which is of such great importance to them. (He repeated that there was no objection to another American prime contractor.)

He made the point that we failed to offer firm commitments with regard to the separation of areas, the replacement of Icelandic apartments, etc. He claimed we made only "proposals" to seek funds for those purposes. (The need for this kind of language was explained to him as it has been on several occasions in the past but he did not seem to be fully convinced.)

He concluded by saying that "without any prospect of coming to an agreement" on these and the other points of implementation of the defense agreement "it is of no use to mention any additional military requirements" or the Njardvik Port. He informed me that he would hand me an *aide-mémoire* within a few days.

Foreign Minister declined to indicate contents *aide-mémoire*, saying he was not prepared to talk about it at this time. From remark dropped by Jonasson, however, it appears they may be thinking of request for basic revision 1951 agreement (rather than of implementation as hitherto) or request for termination.

After discussion in which I urged desirability keeping discussions going and disadvantages to both sides of breakdown, it was agreed that Foreign Minister and I would have further conversation at earliest opportunity, and that no Icelandic *aide-mémoire* would be presented in meantime.

. . . . . .

In talk with Foreign Minister, I will attempt to bring areas of agreement and disagreement into sharper focus and to find *modus*

vivendi, if possible. I will have additional comment on political situation hereafter that talk but in meantime wish to repeat conclusion earlier messages that we are coming very close to point where we will have to weigh carefully risk we are taking if we press our position. It could well result overturn present pro-US government and/or request for termination of agreement.

Meeting was attended by General Hutchinson, Colonels Bailey and Hollister, Villon, Jonasson, Arnason and Sigurdsson. Bjorn Olafsson was not present. [3]

LAWSON

[3] In response to this telegram, the Department of State informed the Legation in Reykjavik in telegram 237, May 13, that a new set of instructions was being formulated to replace those of May 5 and 6. (740B.5/5–1354) These new instructions were transmitted in telegram 238, *infra*.

No. 702

740B.5/4-854: Telegram

The Secretary of State to the Legation in Iceland [1]

SECRET NIACT WASHINGTON, May 14, 1954—7:55 p. m.

238. Joint State–Defense.

I. Construction Procedures:

1. We agree your signature of text construction memorandum of understanding as approved by Icelanders and further we appprove the "agreed minutes" stand as submitted by Icelanders (both as contained Legdes 262 [2]). We accept assurances in *aide-mémoires* as reported urtels 220 and 225. [3] While we will make determined effort to end field construction work of present prime contractors by December 31, 1954, we prefer not to remove Metcalf-Hamilton as prime contractors doing allocated work after 1954 since assigning work Icelanders unable to perform (urtel 225) to new US prime contractors excessively expensive. You may feel free to give and take within terms this instruction and your judgment recognizing

[1] Drafted by Proehl and cleared with Raynor and Rogers of State, Hensel of Defense, and Radford of the Joint Chiefs of Staff.

[2] Not printed, but see Document 698.

[3] Telegram 220, Apr. 7, transmitted the text of an Icelandic *aide-mémoire* agreeing that the United States held the right of final decision on construction bids, acknowledging the receipt of a U.S. statement reserving the right of decision on qualifications of Icelandic contractors, and maintaining that the Icelandic Government should have the right of decision on qualifications. (740B.5/4-754) Telegram 225, Apr. 8, recommended alterations in the language of the draft agreement in order to reconcile the U.S. and Icelandic positions. (740B.5/4-854)

possible Congressional reaction on final construction arrangements. You should emphasize in this connection our agreeing to minutes and draft is predicated on an air of reasonableness and cooperative spirit having in mind as mutual goal and governing spirit objectives set forth para 1 of memo.

2. We agree that issue of capability should be decided in annual allocation "in the same spirit as that of 1954 allocation" through joint consideration US–Iceland Government representatives in expectation that objectives para 1 memorandum will govern both sides in deciding capabilities. We understand that each annual allocation will review what we expect will be increasing capability of Icelandic contractors and in light thereof will allocate for the following year all unallocated projects.

II. Requirements:

We prepared to deploy units to Iceland to meet NATO responsibilities but effectiveness of defense activities would be limited if personnel figure 6200 not accepted by the Icelanders. We, however, if they accept 6200 figure, would seek ways and means to continue to reduce this by use of indigenous personnel where appropriate skills and security considerations permit. Present increase of one thousand most helpful but additional personnel and off-base sites required to provide effective defense of Iceland. We appreciate Icelanders have final Njardvik port plan but have yet to commit themselves. Therefore, request Icelandic Government submit changes, if any, in definitive plan in order that we may jointly agree to construct this project now. In this respect we prepared to have US engineers assist Icelandic Government to review plan if Icelanders so desire.

III. Impact Problem:

We fully agree that good community relationship should exist. We must insist that Icelanders accept military commander arrangements along previously indicated lines as adequate to meet Icelandic Government objectives. Matter should therefore be deleted from memo understanding and note. Additionally you should obtain Iceland assurance not to spell out details publicly and to restrict any publicity to statement that satisfactory arrangements this subject worked out between Iceland representatives and COMICEDEFOR. Para V of Deptel 226 applies here. [4]

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[4] Paragraph V of the instructions contained in telegram 226 to Reykjavik, May 5, contained the U.S. position that regulating the movements of U.S. personnel and "arrangements governing social relationships with local population" were matters to be worked out between the commander of the Icelandic Defense Force and Icelandic authorities, and were thus not appropriate subjects for understandings at the governmental level. (740B.5/3–2954)

IV. Other Issues:

You may assure Icelanders that we willing to reallocate presently available funds to accomplish separation of areas and replace apartment buildings as previously agreed to in discussions as soon as understandings signed. You have authority and flexibility to obtain satisfactory agreement on points covered in memo of understanding on Separation of Areas at Keflavik Airport dated March 25.

. . . . . .

Re urtel 264 suggest you request Foreign Minister delay departure in order you and he may thoroughly discuss all aspects and conclude negotiations by exchange notes. [5]

FYI You will realize above position our minimum one. While you fully authorized go to it, anything can be salvaged above it so much the better. You should assess total situation and try for best possible solution. While we have been forced by overwhelming military considerations, particularly our NATO obligations, to agree to Iceland position on capability and phase-out of prime contractor, we hope you will be able to realize more on additional requirements. Further, at time exchange notes we desire you make statement emphasizing great degree of responsibility Iceland has undertaken toward NATO defense system and our expectation that arrangement which might otherwise be most difficult to work under will be made to work by mutual efforts and good faith. . . .

DULLES

[5] Telegram 264 from Reykjavik, May 14, noted that Gudmundsson planned to depart for Strasbourg on May 16 for a 1-week visit. (740B.5/5–1454)

No. 703

Editorial Note

A brief period of negotiating on the basis of the instructions contained in telegram 238 to Reykjavik, *supra*, resulted in the signing on May 25 of a Supplementary Agreement to the May 5, 1951, United States-Icelandic base agreement. By the terms of the Supplementary Agreement, the authorized ceiling of United States personnel in Iceland was raised substantially, rotational training of air units was permitted, provision was made for the installation of anti-aircraft artillery, and authorization was granted for the construction by the United States of a port needed for logistic support. The agreement satisfied the Icelandic desire for increased partici-

pation in the construction program, for a training program for Icelandic labor, and for stricter regulation of the movement and activities of United States personnel within Iceland. Copies of the documents constituting the Supplementary Agreement were transmitted in despatch 335 from Reykjavik, May 28. (740B.5/5–2854)

No. 704

OCB files, lot 62 D 430, "Iceland, 1953–1954"

Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) to the Operations Coordinator (Radius) [1]

SECRET [WASHINGTON,] May 28, 1954.

Subject: OCB Consideration of Tariff Commission's Recommendation on Groundfish Fillet Imports

I would like to suggest that at the next meeting of the OCB, Mr. Murphy present for consideration, as it will affect Iceland, the Tariff Commission's recommendation to the President that an absolute quota and a higher tariff rate be imposed on groundfish fillet imports. [2]

On May 25 we reached agreement with Iceland, after negotiating since February 2, on changes in the implementation of the U.S.-Iceland Defense Agreement of 1951. [3] Under the Agreement, we secure important additional military rights. Toward the end of the talks, when the Icelanders had learned of the tariff recommendation, one Icelandic negotiator expressed the expectation that Iceland's economic problems would not be made more difficult, and stated that Iceland "cannot live on military agreements alone."

The Tariff Commission recommendations would cut Iceland's already limited Western markets still further, and would cause serious economic and political repercussions in Iceland. U.S. influence would receive a heavy blow which might have the most serious consequences for U.S. security interests in Iceland. A certain result would be an effort to develop further her Soviet bloc market, currently absorbing over 25 percent of her exports. A possible result would be the loss of the results of our recent negotiations, and the prospect of trying to save our rights under the 1951 Agreement. Iceland cannot survive without selling her fish, and she will tend

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[1] Drafted by Proehl.

[2] The recommendation of the Tariff Commission, dated May 7, has not been found in Department of State files.

[3] For the substance of the agreement, see the editorial note, *supra*.

to turn against those who close their markets and toward those who open them. The UK market is closed. If ours is increasingly restricted, Iceland can with some validity question the advantages of her NATO association.

I would suggest that Mr. Murphy propose to the OCB that it make a recommendation, as the OCB and on the basis of its special concern for the Icelandic situation, to the President to reject the Tariff Commission's recommendation. [4]

[4] According to the minutes of the meeting of the Operations Coordinating Board, June 2, the Tariff Commission's recommendations to increase the tariff and impose an absolute quota on Icelandic fish were discussed and rejected by each member of the OCB. (OCB files, lot 62 D 430, "Minutes II") President Eisenhower rejected the Tariff Commission's recommendations on July 7.

No. 705

S/S-NSC files, lot 63 D 351, NSC 5426 Series

Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council [1]

TOP SECRET
NSC 5426

WASHINGTON, July 12, 1954.

STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON ICELAND

GENERAL CONSIDERATIONS

1. Iceland is strategically important to the West as a base area for offensive operations in conjunction with NATO, for air and naval defense of the approaches to North America, and for staging aircraft and maintaining sea communications between the United States and Europe. Iceland's membership in NATO greatly en-

[1] Drafted by the NSC Planning Board on the basis of an earlier draft by the Department of State and transmitted under a note by Lay, dated July 12, to the National Security Council for consideration at its meeting on July 22. In addition to the Statement of Policy printed here, NSC 5426 consisted of a cover sheet, the note by Lay, a table of contents, a financial appendix, five background memoranda, and a map. The background memoranda were entitled as follows: I. The U.S.-Iceland Defense Agreement of 1951 and Supplementary Understandings of 1954; II. Political Situation in Iceland; III. Iceland's Foreign Policy and Attitudes Toward Other Countries; IV. Iceland's Economic and Financial Situation; V. Iceland and the Territorial Waters Question. According to the memorandum of discussion at the 207th meeting of the National Security Council, July 22, the Policy Statement was approved, subject to the inclusion of a phrase designated in footnote 2 below, by the NSC on July 22. (Eisenhower Library, Eisenhower papers, Whitman files) President Eisenhower approved NSC 5426 on July 23 and it was referred to the Operations Coordinating Board for implementation.

hances NATO military capabilities in the North Atlantic. Conversely, Soviet control and use of Iceland as an air and submarine base would pose a threat to the North Atlantic defense system.

2. Consequently, it is in the security interest of the United States and the North Atlantic area that facilities in Iceland be available for use in the event of emergency by the military forces of the United States and its allies, and that Iceland continue to be denied to unfriendly or potentially hostile forces.

3. NATO has delegated to the United States responsibility for the defense of Iceland, which has no armed forces of its own and a police force of only 320 men. Pursuant to this arrangement, the United States and Iceland on May 5, 1951 signed a Defense Agreement under which the United States has stationed forces and is developing military facilities in Iceland. Additional U.S. rights and facilities were obtained by supplementary understandings concluded in May, 1954. *

. . . . . .

5. However, U.S. defense activities in Iceland have produced considerable tension and dissatisfaction among Icelanders. Agreement to the stationing of foreign troops in the country was an unprecedented peace-time step, taken when it was feared that the Korean war might lead to general war. Since then nationalism and neutralism have reasserted themselves; in the eyes of many Icelanders lessened international tension obviates the need for foreign troops and military activities. Icelanders have complained of the alleged disruption of their small community (150,000 population) by U.S. troops and construction workers and U.S. relations with local labor. Communists and neutralists have exploited these attitudes against the U.S. The 1954 understandings supplementing the Defense Agreement were designed to assist in alleviating Icelandic dissatisfaction.†

6. The internal political situation in Iceland is marked by conflicting attitudes toward the 1951 Defense Agreement. The coalition government, which commands 37 of the 52 votes in the parliament, is composed of the Conservatives (the largest party) which supports the Agreement, and the Progressive Party (the second largest), which is split by strong neutralist sentiment. The Communists, the third strongest party, polled 16.5 percent of the vote in

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* See Memorandum I attached. [Footnote in the source text. Memorandum I, not printed, contained the text of the May 5, 1951, Defense Agreement and a very brief summary, similar to that in Document 703, of the Supplementary Agreement of May 25, 1954.]

† See Memorandum I attached. [Footnote in the source text. See footnote * above.]

the 1953 election. ‡ In the next few months they may substantially increase their strength by gaining control of the Labor Federation, which has 26,000 members and represents 85% of organized labor. The Social Democrats (the fourth largest party) are weak and divided and in 1953 shifted from a pro-defense to an anti-defense position as a result of left-wing control. The recently-formed National Defense Party, a nationalistic left-wing group holding two seats, has become a rallying point for non-Communist xenophobes and shows increasing political strength. The next general election is scheduled for 1957.

7. The Icelandic economy is primarily dependent upon the fishing industry, but initially the construction, and subsequently operation and maintenance, of U.S. facilities provide a secondary source of income of considerable significance. Curtailment of U.S. military activities could reduce foreign exchange earnings by an amount sufficient to create serious economic difficulties.

8. Over 90 percent of Iceland's exports consist of fish and fish products, and traditionally some 35 percent of the total has been marketed in the UK and 20 to 25 percent in the U.S. However, since mid-1952, when Iceland refused to permit British fishing vessels to operate off Icelandic shores, UK fishing interests have maintained an unofficial, almost complete embargo on Icelandic fish. The U.S. domestic industry has repeatedly pressed for Governmental action to curtail imports, and in May 1954, the Tariff Commission recommended imposition of quantitative restrictions which would require a reduction of 10 to 20 percent in Icelandic shipments to the U.S. Even though this recommendation has since been rejected by the President, the constant pressure for restrictions continues and is a source of great concern in Iceland.

9. In August 1953, the Soviet Government, moving to take political advantage of Iceland's difficulties in Western markets, agreed to take large quantities of fish from Iceland and in return supply Iceland's total requirements of petroleum and cement plus substantial quantities of grain, iron and steel. Other Soviet bloc countries also have agreements with Iceland, and a new, broader agreement with the USSR is about to be signed. Thus, the Icelandic economy is becoming increasingly dependent on the Soviet bloc, and the contrast between the attitude of the bloc and of the UK and U.S. toward Icelandic trade has serious political implications, causing many Icelanders to question the value of membership in NATO.

10. The USSR has recently been actively seeking to strengthen its political and cultural, as well as economic, relations with Iceland. The Soviets make no "military demands," they support the

‡ A decline from 19.5% in 1949. [Footnote in the source text.]

Icelandic position in the UN on fisheries and territorial waters, and at considerable expense they send artists and other entertainers to Iceland. By contrast the U.S. in its relations with Iceland has been forced to emphasize questions which tend to offend and irritate Icelanders, such as vigilance against Communist subversion, maintenance of U.S. military rights, and Iceland's obligations and interest in NATO. In addition, because of our interest in maintaining freedom of the seas, it is likely that the U.S. will oppose Iceland's position in a UN discussion of territorial waters this fall.§

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OBJECTIVE

12. Maintenance of Iceland as an independent and economically viable nation with a stable government friendly to the United States and actively cooperating in NATO defense efforts.

COURSES OF ACTION

13. Interpret the Defense Agreement in 1951 in the broad spirit of the supplementary understandings of 1954, which take into account the special circumstances of Iceland and the provincial and nationalist sensibilities of its people.

14. In carrying out U.S. military activities in Iceland endeavor to promote harmonious relations with Icelanders, including employment of indigenous personnel so far as consistent with the success of the operation.

15. Encourage as appropriate more active Icelandic participation in and understanding of NATO defense activities relating to Iceland.

16. Continue U.S. technical assistance, with special emphasis on the labor education and labor relations.

17. Maintain the intensified USIA program in Iceland.

18. Continue to strengthen U.S.-Icelandic cultural relations through such means as exchanges of persons, particularly in the field of education and labor; stop-over visits by U.S. concert artists and leaders; and appropriate utilization of Americans of Icelandic origin.

19. Seek to develop means of increasing U.S.-Icelandic trade, including the possibility of U.S. governmental purchases of Icelandic

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§ See Memorandum V attached. [Footnote in the source text. Memorandum V briefly reviewed the course of the conflict over fishing rights between Iceland and the United Kingdom. It noted that the position taken by the British in this question was in accord with the U.S. position.]

fish and fish products for foreign consumption, [2] and to avoid trade actions which would adversely affect Iceland.

20. Seek to increase free world markets for Icelandic fish and fish products, particularly in the UK, in order to reduce Iceland's dependence on trade with the Soviet bloc.

21. To prevent or counteract any deterioration in Iceland's economy which might have political consequences adverse to U.S. interests, be prepared to take feasible measures, including if necessary provision of economic assistance.

22. As appropriate, assist Iceland in obtaining credit in the U.S., including support for Icelandic applications to the International Bank for credit required for sound capital investment consistent with Iceland's ability to finance repayment.

23. Be prepared to provide such basic civilian requirements of the Icelandic population in the event of war as will not be met from local sources.

24. In maintaining a U.S. position opposed to that of Iceland on territorial waters in UN or other discussion, take all feasible steps to insure that the matter is handled in such a way as to mitigate to the greatest possible extent adverse effects on U.S.-Icelandic relations (e.g., by acting with others rather than alone, keeping the discussion on a broad, global basis, and refraining as much as possible from appearing to lead an attack on the Icelandic position).

. . . . . .

[2] According to the memorandum of discussion at the 207th meeting of the National Security Council, July 22, the preceding phrase was inserted at the specific request of the President. (Eisenhower Library, Eisenhower papers, Whitman file)

No. 706

OCB files, lot 62 D 430, "Iceland, 1953–1954"

Memorandum by the Operations Coordinating Board Working Group on Iceland to the Board Assistants of the Operations Coordinating Board

TOP SECRET WASHINGTON, December 7, 1954.

PROGRESS REPORT ON NSC 5426 [1]

ICELAND

(Policy approved by the President, July 23, 1954)
(Period covered: July 23–November 15, 1954)

A. SUMMARY OF MAJOR ACTIONS

1. The period under review has been too brief to have provided time enough for full-scale implementation of all courses of action contained in NSC 5426 or to allow exhaustive evaluation of actions taken. However, each Course of Action set forth in NSC 5426 has been closely observed and where possible acted upon.

Department of Defense

2. That the U.S.-Icelandic Defense Agreement of 1951 has been interpreted in "the broad spirit of the supplementary understandings of 1954" is evident in the fact that working relationships between the Icelandic Government and the Iceland Defense Force at every level has been more satisfactory during the past half year than in the preceding period.

3. A system of trophospheric scatter technique for primary communications for AC&W in Iceland was approved during the reporting period. A major consideration in the selection of this system was the provisional and nationalistic sensibilities of the Iceland people towards U.S. personnel and facilities in Iceland. The new system reduces real estate requirements for communications stations from 25 to 5 and eliminates 168 additional personnel spaces. Monetary savings also accrue to the U.S. and it is believed the new system will meet AC&W needs.

4. The number of U.S. civilian laborers employed by U.S. contractors in Iceland was only 752 as of October 1954. Icelandic personnel employed by U.S. contractors has increased from 1432 in June to 1849 in October.

5. The Commander, Icelandic Defense Force, has been authorized to utilize U.S. equipment and supervisory personnel to assist the

[1] *Supra.*

local communities of Hafnarfjordur and Keflavik in the repair of off-base roads. The present U.S. prime contractor has indicated its willingness to furnish labor and material at cost as a good will gesture towards the off-base road project. It has been suggested that the Commander, Area Engineer and contractor take advantage of these actions by appropriate publicity indicating U.S. and Icelandic cooperation.

6. In compliance with the supplementary understandings, fencing and an access road have been approved for security of the military area.

7. In an effort to promote harmonious relationships with the Icelanders, U.S. military personnel armed with rifles and machine guns accompanied Icelandic fishermen in small boats and in one morning destroyed a pack of approximately 100 killer whales.

Foreign Operations Administration

8. During the period under review $300,000 was made available by FOA to finance the dollar costs of a construction training program for Icelanders. This program was provided for in the recent modification of the U.S. base agreement; its purpose is to provide an adequate supply of Icelandic labor for Icelandic Defense Forces construction projects. The program consists of the training of Icelandic construction workers on projects in Iceland, as well as in schools in the U.S. Local currency costs of the program are being borne by the Icelandic Government.

9. The first teams of Icelanders, totalling 18 men, arrived in the U.S. during September and October 1954. These individuals will be trained either in heavy equipment maintenance, airfield construction, spare parts supply, and foreman training. Approximately thirty more Icelanders will arrive during December to be trained in other specialized construction functions. By and large the groups coming to the U.S. will serve as trainers and supervisors of Icelandic workers on-the-job in Iceland.

10. The program is also going forward in Iceland, where projects designed to train workmen are now in process. FOA has sent a Technical Assistance Officer to Reykjavik to coordinate the program, and an Army Engineers' officer has been assigned to the program as a Construction Training Officer at the Keflavik base.

11. FOA missions in Madrid and Rome have been requested to encourage the purchase of Icelandic fish by Spain and Italy.

12. Mr. Matthias Thorfinnson, a Minnesota 4-H Club leader, spent six months in Iceland under FOA auspices. He travelled widely and succeeded in giving the 4-H movement in Iceland much needed impetus.

United States Information Agency

13. New film titles, publications, and timely press materials were provided in support of cultural and informational projects. Close working relations were maintained by the United States Information Service in Iceland with representatives of the U.S. Icelandic Defense Force, the American Legation, and the Foreign Operations Administration in the planning and exploitation of cooperative propaganda campaigns to reduce anti-American, anti-NATO sentiment in Iceland. (See Annex A for detailed statement of USIA activities. [2])

Department of State

14. In August 1954, Embassy London was instructed to approach the British Foreign Office and discuss the necessity of opening markets in Western Europe to Icelandic fish and to express U.S. apprehension at the growing complacency and disinterest in NATO among Icelanders, with a view to eliciting from the British a reaction which might lead them to seek a solution of the current trade dispute between Iceland and the United Kingdom. Iceland's growing dependence on trade with the USSR was pointed out. The British stated their willingness to submit the matter to ICT but reiterated the inability of the British Government to force British trawler interests to cease boycotting the landing of Icelandic fish. Lately we have been informed that as soon as the Faroes Parliament approves a UK-Danish agreement in a similar fishery waters problem, the British will approach Iceland in an effort to work out a solution along similar lines.

15. The reaction in Iceland has been most favorable to the President's rejection on July 7 of the U.S. Tariff Commission's recommendation for the imposition of higher duties and absolute quotas on the importation of frozen groundfish fillets. The President's action avoided what would otherwise have been a most difficult situation, with far-reaching adverse consequences to U.S. interests. We are continuing our efforts to open the U.S. market to the importation of shellfish by simplifying import sanitary regulations.

. . . . . .

18. During the period under review four U.S. "specialists" visited Iceland under the Exchange of Persons program as grantees; three persons visited Iceland under the Voluntary Youth Activities program. All were prominent in their individual fields and were successful in their missions. Two Icelandic leaders and four Icelandic

[2] Not printed; it provided a list of all USIA programs in Iceland for the preceding 6 months.

students came to the U.S. during the period. No voluntary artists were scheduled during the summer months because of the personnel shortage at the Legation at Reykjavik. Two scheduled appearances of prominent U.S. artists in September and October had to be cancelled for the same reason.

19. A labor reporting officer was assigned to Reykjavik on an urgent basis in September in order to establish closer contact with Icelandic organized labor, and to develop programs in the field of labor exchange and education.

20. Efforts to push negotiation of a Fulbright Agreement with Iceland appeared to be doomed by inadequate allowances for FY-1956 by the Bureau of the Budget.

21. The Legation has been instructed to discuss with the Icelandic Foreign Minister negotiation of an agreement providing for the transfer of U.S. military equipment to Iceland on a reimbursable basis.

B. OPERATIONAL CONSIDERATIONS BEARING ON POLICY

22. Operating experience during the brief period under review has not demonstrated a need for revision of the policy enunciated in NSC 5426 at this time.

C. EMERGING PROBLEMS AND FUTURE ACTIONS

23. The major problem emerging in Iceland is one of greater deemphasis on Icelandic defense needs, arising out of the belief by Icelanders that tensions have relaxed. This belief has been reinforced by the successful negotiations for German rearmament, which has given rise among prominent Icelanders to a "continental shield" concept under which the "front line" of NATO defense has moved so far east that the stationing of U.S. troops in Iceland may not be required after German rearmament becomes a reality. Through our Minister to Iceland we are endeavoring to show Icelandic leaders that German rearmament is the capstone of an elaborate system of defense, rather than a substitute for existing arrangements, and that if tensions have relaxed it is because the West is strong and must therefore remain so. This problem, however, cannot be specifically combatted in Iceland when a similar tide of relaxation is rising in other Western European countries, from which Iceland takes its cue.

24. A second major problem is presented by the assumption of control of the Icelandic Federation of Labor by a Communist-Left-wing Social Democratic coalition on November 22. With the Communists operating from this strong base we may expect increased anti-U.S. propaganda among working people, and intensification of labor disputes and an increase in strikes at our base at Keflavik.

Because of Icelandic popular opinion that labor relations in defense construction work have been poor in the past, credence will be given by the Icelandic public to the IFL side of any labor dispute. The result will probably be a general intensification of anti-U.S. feeling in Iceland.

25. In the organization of the Joint Althing (Icelandic Parliament) in October, the Communists got two seats on joint committees, one being in the Foreign Affairs Committee.

26. Close coordination by the Department of State, the USAF, and the Corps of Engineers has resulted in the evolvement of a plan of action (shortly to be presented to Iceland) designed to maintain the present U.S. prime contractor in Iceland in an advisory capacity after withdrawal from field construction work in accordance with the Exchange of Notes of May 25, 1954. It is judged to be imperative to retain the contractor in this modified capacity to provide a "prime contractor potential", i.e., a U.S. firm subject to U.S. control which will preclude establishment of an absolute Icelandic monopoly in defense construction by its very presence in Iceland and the fact that with little effort it could be augmented to act as a prime contractor when and if the Icelandic prime contractor fails to perform or to offer satisfactory prices. While it is believed that Icelandic contractors may accept this arrangement, it will be difficult to sell to the politicians.

27. The Icelandic Minister of Commerce has informed us that the Russian Minister to Iceland has offered Russian assistance in building the cement plant for which Iceland earlier sought loans in Europe and the U.S. Such action by Russia would actually be detrimental to Soviet trade interests, since the Icelandic plant would, when complete, supplant the annual import of 50,000 tons of Russian cement under present Iceland-Soviet trade agreements. However, the propaganda advantage which the Russians would realize and the espionage they could conduct through technicians sent to construct the plant would be adverse to NATO and U.S. interests. It is therefore considered imperative that the U.S. request the IBRD to reconsider Icelandic application for a loan for the cement plant.

D. EXTENT OF AGENCY INTERESTS

28. In support of the National Security Council's requisite [*request?*] to provide such basic civilian requirements of the Icelandic population in the event of war as will not be met from local sources, the Office of Defense Mobilization submitted an estimate as to industrial and food needs. This estimate was transmitted to the Defense Department for consideration by the appropriate Defense Agencies.

IRELAND

EFFORTS BY IRELAND TO OBTAIN MILITARY EQUIPMENT AND ECONOMIC ASSISTANCE FROM THE UNITED STATES OUTSIDE NATO MEMBERSHIP; EFFORTS BY IRELAND TO ENLIST UNITED STATES SUPPORT IN ITS STRUGGLE TO END PARTITION [1]

No. 707

740A.5 MSP/1-452

The Embassy in Ireland to the Irish Ministry for External Affairs

CONFIDENTIAL DUBLIN, January 7, 1952.

AIDE-MÉMOIRE

The American Ambassador, Mr. Matthews, called today on the Irish Minister for External Affairs, Mr. Aiken, to discuss the possibilities of concluding an agreement through an exchange of notes between the Embassy and the Irish Government to make possible the completion under the existing United States legislation of the program of economic aid to Ireland which had been agreed upon under the Economic Cooperation Agreement between the two countries. [2]

Referring to the text which he left with the Minister on December 7 [3] and to subsequent conversations on this subject, the Ambassador pointed out that tomorrow, January 8, was the final date for the conclusion of such an agreement and he accordingly wished to make sure that the Irish Government lacked no information on

[1] For previous documentation, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 514 ff.

[2] The existing legislation referred to here is the Economic Cooperation Agreement of 1948 between the United States and Ireland (TIAS 1788), signed at Dublin June 28, 1948, amended by an exchange of notes signed at Dublin Apr. 20 and June 7, 1951 (2 UST 1906).

[3] The terms that formed the basis of this note were sent to the Embassy with accompanying explanation in airgram A–53, Nov. 22, 1951; for text, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 534. This note of Dec. 7 presented the amendments that had to be made by Jan. 8, 1952, in all bilateral ECA and MDAP agreements to conform with Section 2 of the Mutual Security Act of 1951 (65 Stat. 373). Section 2 required that the new agreement bind the recipient country to facilitating the purpose of the Act which was, in general terms, to maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries in such a way as to facilitate their effective participation in the United Nations system for collective security.

which to base its decision as to whether it wished to conclude a new agreement. Since the discussion between Mr. Aiken and himself on January 3 [4] and between representatives of the Ministry and the Embassy on January 4, [5] the Ambassador stated, the Embassy had received additional clarifications by telephone and telegram, the principal substance of which was conveyed to Mr. Nunan by Mr. Huston by his letter of January 6, [6] namely:

1. Consequences of the non-conclusion of a new agreement to meet the requirements of present Congressional legislation would include:

(a) Immediate termination of economic assistance still in the pipeline;

(b) Immediate cessation of technical assistance; and

(c) Immediate removal from the United States payroll of all personnel in TA projects.

According to the State Department's calculations, the total loss to the Irish Government with respect to the above items would be in the neighborhood of three and one half million dollars, including pipeline items, letters of credit which would be stopped, etc.

2. With respect to the grant counterpart of eighteen million dollars, it was stated that these funds may still be disbursed by the Irish Government, but only with United States approval. On termination, however, any unexpended balance can be disbursed under the law only with the approval of the United States Congress; State Department or ECA approval would not suffice, as Congress alone would have the only power of final approval. The procedures to be set up and the likelihood of favorable action of the Congress could not, of course, be foreseen.

The Ambassador then stated that, while naturally it is for the Irish Government to decide whether or not it wished to conclude a new agreement to make possible the completion of aid agreed upon under the ECA, it was his desire to neglect nothing to insure that Mr. Aiken and the Irish Government as a whole had full knowledge of the consequences to the aid program in case of the non-conclusion of a new agreement by January 8, and to make it possible to find mutually agreeable language for the text of such an agree-

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[4] On Jan. 3, Matthews handed Aiken the text of a proposed revision of the 1948 agreement and discussed it with him. The text is in file 740A.5 MSP/1-1052. No separate record of the conversation has been found in Department of State files.

[5] Matthews reported on this discussion in telegram 101 from Dublin, Jan. 4. (740A.5 MSP/1-452)

[6] A copy of this letter to the Secretary of the Ministry of External Affairs and other documents on the subject exchanged between the Embassy and the Foreign Office, together with copies of related memoranda of meetings at the Foreign Office and Embassy telephone communication with the Foreign Office and the Department of State, covering the period from Dec. 7, 1951, to Jan. 10, 1952, were transmitted to Washington in despatch 434 from Dublin, Jan. 10, 1952. (740A.5 MSP/1-1052)

ment. He added that the Embassy's instructions left sufficient leeway to insure that it would be possible to arrive at a text which would be satisfactory to both governments, provided the Irish Government had not decided that in the circumstances it did not wish to conclude any kind of new agreement.

No. 708

Editorial Note

On the afternoon of January 8, just before leaving Dublin for consultation in Washington, Ambassador Matthews called on Foreign Minister Aiken to remind him that the United States Government could not accept an exchange of notes for a new economic assistance agreement that did not contain the necessary reference to the Economic Cooperation Act of 1948 "as heretofore amended and supplemented". The Foreign Minister said that the note he was preparing represented the utmost the Irish Government could agree to. (740A.5 MSP/1-1052) A copy of the Minister's note, which was addressed later in the day to Ambassador Matthews at Dublin, was transmitted to Washington on January 10 in despatch 434. (740A.5 MSP/1-1052)

On January 10, the Chargé in Ireland, Cloyce Huston, addressed a first person note, No. 151, to the Foreign Minister stating that the wording of the Minister's note of January 8 left no alternative but to suspend the economic assistance being received by the Irish Government. He said, however, that his government was prepared to reopen the question of continuing assistance should the Irish Government have further suggestions to offer. A copy of note No. 151 was transmitted from Dublin in despatch 434, January 10. (740A.5 MSP/1-1052)

No. 709

740A.5 MSP/1-1152

Memorandum of Conversation, by William L. Hamilton of the Office of British Commonwealth and Northern European Affairs

SECRET [WASHINGTON,] January 11, 1952.

Subject: Failure To Reach MSA Bilateral Agreement with Ireland

Participants: Ambassador Francis P. Matthews
BNA—Mr. William L. Hamilton

Ambassador Matthews expressed considerable impatience with the Irish Government for its refusal to accept our position on the MSA Bilateral. Irish objections, he said, were directed to the philosophy of the Act, and no drafting exercise short of complete elimination of any statement of adherence to the principles would have been successful.

He said that the present government was looking backward and seemed more firmly committed to neutrality than its predecessor, the Costello–MacBride regime, with whom he was certain the United States could have reached agreement as easily as it did with the ECA Bilaterals.

He said he had had a feeling through the negotiations that Foreign Secretary Aiken did not have the full sympathy of his staff in the negotiations. Nothing was said, of course, but he believed they favored an agreement at our minimum terms.

The Ambassador said he anticipated further approaches from the Irish on the purchase of arms. They saw no reason why they couldn't buy what they needed to train their forces, perhaps including a few machine tools for local manufacture of some small items. Ambassador Matthews said it was his opinion that they wouldn't be able to finance all of the requirements but that we might determine their needs, let them buy what they could finance, the United States to contribute the balance.

I asked the Ambassador if he didn't think it would be difficult for the U.S. to furnish arms even on a reimbursable basis in view of their inability to sign the bilateral. There was no close relationship, perhaps, but could we provide arms on any basis to a country which could not make a simple affirmative declaration of its adherence to the collective security concept. Ambassador Matthews said he presumed it would be difficult, but I am not sure that the thought had occurred to him before.

Speaking in more general terms, the Ambassador said he was afraid there was little possibility of Ireland looking "outward" and taking a broader view of its international position under the present government whose thinking is still dominated by the "Uprisings" in which so many of its leaders participated. Neutrality has a strong grip on the country. Irish adherence to neutrality isn't emotional to the degree it is with the Swedes, but this element does exist in their attitude. War would change all this, of course. If De Valera left the scene, he said the present government would break in several directions. The younger generation of politicians, he believes, are more internationally-minded and under their direction Irish attitudes might change considerably.

No. 710

740A.5/1-1152: Telegram

The Ambassador in France (Bruce) to the Department of State [1]

SECRET PARIS, January 11, 1952—3 p. m.

4134. From MacArthur. Irish FonMin Aiken asked me to see him yesterday. [2] He again raised question of Ireland purchasing arms in US along same line as Embtel 1377 Aug 31 rptd Dublin 1 London 354. [3]

I told him frankly that at present time when equipment is in such short supply I did not see how anyone cld be too sympathetic to Ireland's desire when latter not only wished to make no contribution to collective security of West but even seemed apprehensive lest indirectly it might give impression it supported concept of collective West defense. Recent Irish rejection of MSA agreement seemed to be case in point.

Speaking [in] confidence Aiken said that unlike Switz and Sweden Ireland had no firm-rooted tradition of neutrality. Its present status of neutrality was a tactic designed to achieve unification of Ireland. Irish Govt had conviction that by refusing to join in any collective arrangement with UK until Ireland was reunited it cld soonest achieve unification. Any agreement into which it entered with UK wld take heat off latter and wld be construed as tacit acceptance of permanent division of Ireland. He said Irish people were firmly united behind this policy. If Irish Govt really wanted to join NATO he believed they cld successfully push it thru the Parl but result wld divide Ireland and wld therefore be an error since there wld be no wholehearted belief in or support for NATO.

I told Aiken he knew much more about problem of Ireland than did I but that I did not agree that Irish policy re collective defense was entirely logical. It seemed to me Ireland's very existence was threatened and yet Irish seemed to think reunification of Ireland was more important than freedom and survival of its people. This seemed not unlike Mosadeq attitude. [4] Aiken said I shld bear in mind circumstances under which he and his colleagues in govt had grown up and entered politics. He said it was perfectly true that Irish unification came ahead of any other problem.

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[1] Repeated to London as 1095 and Dublin as 6.

[2] Aiken was in Paris for a meeting of the OEEC.

[3] For text, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 527.

[4] Reference here is to Prime Minister Mohammad Mosadeq's attitude toward the British presence in Iran.

Despite our lack of agreement meeting was cordial and Aiken's sincerity appears very genuine.

BRUCE

No. 711

740A.5 MSP/1-3052: Telegram

The Chargé in Ireland (Huston) to the Department of State

CONFIDENTIAL DUBLIN, January 30, 1952—3 p. m.

123. Re Embtel 110, Jan 10. [1]

Part A. Note signed by FonMin Aiken [2] received late yesterday evening as follows:

1. "I have honor refer your note 151, Jan 10, 1952 [3] in which you informed me govt of USA considers it has no alternative but suspend assistance being received by Govt of Ireland under Econ Coop Agrmt between Ireland and US signed Dublin 28 June 1948.

2. "Irish Govt regret this decision but they recognize it is matter finally for US Govt and as already indicated are sensible of value of assistance given this country by govt and people of US under Econ Coop Agrmt.

3. "With regard phrase 'failure Irish Govt to accept purposes and principles of legislation under which assistance is furnished' Irish Govt wish make clear they adhered and still adhere to principles and purposes of act under which agrmt was made and assistance heretofore granted, namely Econ Coop Act 1948.

4. "As regards MSA 1951 it was stated in para 5 of Irish Govt's note 24 Dec 1951 [4] that: 'Govt and people of Ireland conceive it to be their duty to make maximum contribution in their power to promotion international understanding and goodwill, to maintenance of world peace and elimination causes international tension. It is because they seek these objectives without qualification or reserve Irish Govt wish obtain peaceful and early ending of unjust partition of Ireland which not only adversely affects internal development Irish nation but dominates its approach all questions external policy.

5. "Aware of many factors in situation Irish Govt are convinced outline of relations indicated their note 24 Dec 1951 would serve best interests of two countries in present circumstances and would urge full consideration that note by Govt of US".

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[1] This telegram reported delivery to the Irish Foreign Office of Embassy note No. 151 of Jan. 10, not printed. See Document 708.

[2] The original note, dated Jan. 29, is in Dublin Embassy files, lot 62 F 81, "500-ECA-MSA Ireland". A copy was transmitted to Washington in despatch 475 from Dublin, Jan. 31. (740A.5 MSP/1-3052)

[3] Not printed, but see footnote 1 above.

[4] Printed in *Foreign Relations*, 1951, vol. IV, Part 1, p. 538, as transmitted in telegram 95 from Dublin, Dec. 25, 1951.

Part B. Aiken explained to Lockling who took delivery of note that he wanted deliver note immediately yesterday in view likelihood of parliamentary questions in opening session of Dail today, in which [event] he would be able to say Irish Govt had replied to Emb note of Jan 10. Referring indication US willingness "reopen question of continuing this assistance should Irish Govt have further suggestions", he said Irish Govt had no suggestions this regard but urged US Govt consider again conditions and circumstances outlined in Irish note of Dec 24 (Embtel 95, Dec 25). Irish Govt could not, he said, enter undertaking designed insure other countries independence and freedom denied Ireland itself by partition. If US Govt would accept frequently expressed attitude of Irish Govt as premise and would consider developing program on that basis he believed two govts could readily reach agrmt regarding military and other assistance.

Mentioning Irish friendliness for US Aiken reiterated Irish Govt wld not permit Irish territory be used as base for attack against either US or Britain. Pointing out consequent advantages of having Ireland well armed he expressed hope US wld consider favorably its request for arms assistance contained in note of Dec 24, adding local Irish facilities capable manufacturing various types of arms if given patterns and technical assistance. In reply to suggestion Irish Govt provide list of arms requirements Aiken stated Ireland wld adjust its requests more or less to availabilities and hence needed to know first that its wishes wld be considered. He emphasized Irish intention pay for arms received.

Part C. Emb convinced Irish Govt determined avoid any kind affiliation MSA in pursuit its policy of neutrality which is designed as instrument of pressure on Brit to end partition. While willing sacrifice remainder aid program to avoid any weakening this policy it wld welcome continuation aid under old ECA agrmt or other arrangement clearly outside MSA. Present note which in effect merely reiterates content of Dec 24 note is mainly tactical move in anticipation questions and possible violent opposition attack in Dail. Irish Govt wld consider it great political victory as well as practical boon to defense effort if it should succeed in obtaining arms assistance without involvement collective defense or other prejudice its neutrality policy.

Part D. Unless Dept wishes make new proposals to Irish Govt or has in mind other line of approach I wld suggest Emb be authorized reply to Irish note along following lines:

1. Emb upon instruction acknowledges receipt communication and notes with pleasure expression of Irish appreciation for assistance given Ireland under ECA, as well as declaration of continued

adherence of Irish Govt to principles and purposes of Econ Coop Act 1948.

2. Note is also taken of references to Irish Govt's note Dec 24 and request this note receive full consideration by US Govt.

3. As regards effect of "partition" on Irish Govt's attitude with respect to continuance of econ assistance under provisions of MSA 1951, it is recalled that Irish FonOff was informed Jan [*December*] 31 (enclosure 4 to desp 434, Jan 10) [5] that introduction of question of partition or other political matter into proposed agrmt represented unacceptable and unnecessary qualification of assurances required under MSA and that US position that US cannot usefully or properly intervene in problem of partition is well known to Irish Govt. At the same time FonOff was informed US prepared give such consideration as is possible to Irish arms needs consistent with priorities absorbing present capacity for US Forces NATO UN Forces Korea etc. But believes this question should be raised in separate communication giving details regarding estimated Irish requirements. [6]

HUSTON

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[5] Enclosure 4 was a memorandum by Huston, Dec. 31, 1951, printed in *Foreign Relations*, 1951, vol. IV, Part 1, p. 541.

[6] Matthews returned to Dublin and resumed charge of the Embassy on Feb. 6. Two days later he addressed a note to the Foreign Minister which substantially followed the wording suggested above. A copy of the note was transmitted to Washington in despatch 487 from Dublin, Feb. 15. (740A.5 MSP/2-1552)

No. 712

Editorial Note

On March 20, Ambassador Matthews addressed a personal note to Foreign Minister Aiken expressing regret that after genuine personal exploration with the highest United States officials, he had been unable to discover any means under existing United States legislation by which the United States Government could complete a program of assistance to Ireland. His message reads in part as follows: "I accordingly have now to inform Your Excellency that, as a result of the suspension of assistance to Ireland, the offices of the Economic Cooperation Administration Special Mission to Ireland, which under the provisions of the Mutual Security Act of 1951 is now named the Mutual Security Agency Special Mission to Ireland for Economic Cooperation, will be closed on April 8, 1952, on which date the Mission's activities will be effectively terminated." A copy of the note was transmitted to Washington in despatch 555 from Dublin, March 20. (740A.5 MSP/3-2052)

No. 713

740.5/4-152: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, April 1, 1952—4 p. m.

6021. From MacArthur, Irish FonMin asked "to pay personal and informal call" on Gen Eisenhower, and visited SHAPE yesterday. Aiken opened conversation by touching very generally on Eur's econ, financial and polit problems. Re France he felt many of its problems stemmed from electoral system of proportional representation which he said prevented Fr from having strong and responsible govt. "When Fr Govt fails to take steps which are necessary each member of coalition blames it on another member and there is no responsibility borne by any party." Furthermore proportional representation encouraged formation of plethora of polit parties, all of which placed party ahead of natl interests. Aiken expressed concern over Eur econ situation and felt some of deflationary steps which are being taken such as those in UK may lead to real econ recession in WE. He expressed view that while Eur shld be more unified politically, it was dangerous to press too rapidly toward total Eur econ unification since this wld result in many serious dislocations. Hence during present critical period in E–W relations Eur shld not now take premature steps which wld actually weaken and dislocate Eur econ for at least several years.

He then mentioned to Gen Eisenhower Ireland's desire to purchase arms in US (this was obviously purpose of visit). He referred to previous conversations he had had with me (Embtels 1377 Aug 31, 1951 [1] and 4134 Jan 11 [2]) and said anything US cld do to help Ireland build up its forces wld be much appreciated and wld add an additional increment of strength to defense of WE.

Gen Eisenhower replied that while he cld well understand Ireland's desire to increase strength of its armed forces, it was his understanding most of items it wished to procure in US were in very short supply and US was having very difficult time meeting its existing commitments to NATO allies. He was sure Aiken wld agree with US position which was that military end-items shld go to those countries which have banded together in a collective alliance for defense of not only WE but of free world.

DUNN

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[1] *Foreign Relations*, 1951, vol. IV, Part 1, p. 527.

[2] Document 710.

No. 714

740A.5 MSP/7–3052: Airgram

The Secretary of State to the Embassy in Ireland [1]

SECRET WASHINGTON, July 30, 1952.

A–12. Very informally, and possibly without instruction, Irish Embassy representatives have explored with the Department and MSA the question of Irish eligibility for military assistance under Section 7(i) of the Mutual Security Act of 1952. [2] Neither agency has given the Embassy any encouragement.

Under present tentative planning this Section would be employed administratively to meet two different situations:

(A) To recommend extension of aid in an emergency to countries unable or unwilling to negotiate bilateral agreements because of the threat posed by their geographical proximity to the Soviet bloc or their extreme vulnerability to internal communist subversion.

(B) To cover special or isolated types of assistance too small in scope or otherwise of too little importance to require the negotiation of a bilateral agreement. In this second category, as an example, would fall the financing of the training at U.S. military establishments of students of a country not otherwise a recipient of U.S. military assistance.

The tentative legal opinion of the concerned agencies is that Ireland could not receive aid under (A) above without a determination by the President, which would probably have to be based on a recommendation by the JCS or NSC, that such exceptional treatment was important to U.S. national security. Such a determination would seem unlikely in Ireland's case in the absence of the criteria outlined in (A) above. Further, there has been no change in stated policy (reference NSC 83/1) [3] that the U.S. should avoid discussion of bilateral arrangements for a military assistance program to Ireland outside NATO.

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[1] Drafted by Hamilton and cleared by Beale (BNA), Martin (S/MSA), and in substance by the Mutual Security Agency and the Department of Defense.

[2] This Act (66 Stat. 141), approved June 20, 1952, amended the Mutual Security Act of 1951. The applicable part of Section 7(i), concerning the special use of funds, reads as follows: "(b) Not more than $100,000,000 of the funds made available under the Mutual Security Act of 1952, of which not more than $20,000,000 may be allocated to any one country, may be used or supplied without regard to any conditions as to eligibility contained in this Act, or any other Act for which funds are authorized by this Act, when the President determines that such use is important to the security of the United States." (66 Stat. 145)

[3] For text of NSC 83/1, "The Position of the United States Regarding Irish Membership in NATO and Military Assistance to Ireland Under a Bilateral Arrangement," Oct. 17, 1950, see *Foreign Relations*, 1950, vol. III, p. 1477.

Aid under the interpretation suggested in (B) obviously would not be applicable to Irish arms requirements which, if requested in any significant quantity, presumably would require negotiation of a bilateral agreement of the type which they rejected earlier this year.

The Embassy's attention is called to Page 73 of the report of the Committee of Foreign Affairs on the Mutual Security Act of 1952, a copy of which is enclosed. Section 7(i) originated in this Committee, on the Committee's own initiative. Page 104 of the same report is also relevant. (The section was 7(h) in the House bill. [4])

At the Embassy's discretion as much of Paragraphs (A) and (B) above as seems desirable or necessary may be conveyed to the Department of External Affairs if Irish officials make inquiries similar to those directed to the Department and to MSA.

ACHESON

[4] Section 7(h) reads, in part, "the Director [for Mutual Security], in administering this Act, shall insure that, where necessary to the mutual security effort, no country shall receive any assistance hereunder unless it takes decisive action to marshal its resources collectively, or individually where more suitable, with integration and unification plans in the appropriate area, and participate in programs which promote collective security in that area." (66 Stat. 145)

No. 715

740A.56/11-1252

Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) to the Assistant Secretary of State for European Affairs (Perkins) [1]

CONFIDENTIAL [WASHINGTON,] November 12, 1952.

Subject: Letter from Douglas MacArthur dated October 25, 1952, Concerning Conversation with Irish Foreign Minister. [2]

I think that the question of the Irish purchasing arms from the United States is one which should not presently be actively pursued by the United States. Ireland might interpret any loosening up on our part as a vindication of its policy of neutrality which is ostensibly based on partition. We have consistently held that partition is not the concern of this Government; that Ireland can make its most effective contribution to collective security within the framework of NATO. Any departure from this position on our part

[1] Drafted by Christensen.

[2] Neither the letter nor a memorandum of the conversation has been found in Department of State files.

might be misunderstood by both the Irish and the British. Consequently, I think the matter might be left quiescent for the time being.

No. 716

740A.00/1-653. Despatch

The Chargé in Ireland (Huston) [1] *to the Department of State*

RESTRICTED DUBLIN, January 6, 1953.
No. 336

In reply to my query a few days ago as to what he considered might be taken as representing changes or developments in Irish foreign policy during 1952, Foreign Minister Aiken stated that there had been no changes or developments, that Irish foreign policy is set and fixed, and that there is not likely to be any change as long as circumstances (i.e., Partition) remain as they are.

Mr. Aiken then went over the same ground that he has covered in our previous conversations on this subject (see, for example, despatch no. 207 of September 21, 1951 [2]), the central theme of which is that if the British Government would only make some gesture, if for instance it were to issue a statement to the effect that it recognizes that it would be in the British interest for Ireland to be unified, this would serve as the "germ of yeast" which could begin to work in a small way and gradually develop along the path of closer cooperation and better understanding leading to an eventual solution of the problem.

There has, in fact, been no perceptible change during the past year either in Irish foreign policy in general or with respect to the particular problem of Partition, the dominating factor in Irish policy. Partition continues to constitute the avowed basis for Ireland's policy of firm neutrality and of non-participation in any program of collective defense such as is represented by NATO or MSA, as well as the principal interest of Irish delegates to international conferences and the background for every action and attitude of the Irish Government in the international field.

CLOYCE K. HUSTON

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[1] Huston assumed charge of the Embassy Sept. 7 on the departure of Matthews for the United States via London. (123 Matthews, Francis P.) Matthews died the following month.

[2] Not printed. (740A.00/9-2151)

No. 717

740A.56/2-453: Despatch

The Chargé in Ireland (Huston) to the Department of State

CONFIDENTIAL DUBLIN, February 4, 1953.

No. 387

Subject: Request of Irish Government for Military Equipment for Training Purposes.

There is transmitted herewith a copy of a Note received from the Department of External Affairs dated January 30, 1953, [1] requesting the Embassy to transmit to the appropriate United States authorities two copies of an "order" prepared by the Department of Defence [2] for certain military equipment required by the Irish Defence Forces for training purposes. The two copies of the order in question, a signed original and one other, are likewise enclosed with this despatch.

Officials of the Irish Department of Defence discussed their need for this equipment some weeks ago with the Embassy's Army Attaché, Colonel Harold D. Kehm, who in response to his query to the United States Department of the Army received the following comment:

"The Government of Ireland is not cleared for direct negotiation and purchase from the Department of the Army. An Irish request to purchase the material should be forwarded through diplomatic channels to the U.S. Department of State."

The Embassy advised Colonel Kehm at the time that the appropriate channel through which it could receive such a request would be the Department of External Affairs, and he advised representatives of the Department of Defence accordingly.

Colonel Kehm has informed the Embassy that the equipment in question is required for use in civil defense training, and it his impression that most of the items are training models or obsolescent in type. Being well acquainted with the work of the Civil Defence School, which he feels is doing good work, he recommends approval of the request as evidence of good will and as a useful measure in view of the purpose which the equipment is intended to serve. He has informed the Embassy that the order forms are the normal legal order and contract forms used by the Irish Department of Defence, adding that the space for the addressee has been left blank

[1] Note No. 341/57, not printed. (740A.56/2-453)

[2] Not found in Department of State files.

because neither he nor the Irish Department of Defence knew exactly to whom they should be addressed.

The Department will recall that on several occasions during the past two or three years, and particularly a year ago in the course of negotiations for the continuance of the ECA program in Ireland under the provisions of the Mutual Security Act (Embassy's despatch no. 434, January 10, 1952; see also Department's telegram 123, May 23, 1952 [3]), Ireland has indicated its desire to purchase arms in the United States. No specific list has, however, ever been received from the Irish Government, presumably because of its realization that the supply of such arms would necessarily involve some form of undertaking or commitment relating to the Mutual Security Act, with which the Irish Government, because of Partition and its policy of neutrality, has indicated its unwillingness to be associated in any way.

In view of the nature of the equipment desired and the small quantity involved, as well as the purpose for which it is intended, the Embassy inclines to share the view of the Army Attaché that favorable consideration of the present request would be desirable as a gesture of good will and as an indication of a generally friendly and helpful American attitude toward this country. It is accordingly recommended that the Irish request be given sympathetic consideration and that an attempt be made to provide the limited equipment required provided it is available, not subject to prior needs, and capable of being delivered without reference to the provisions of the Mutual Security Act. It may be added that the Embassy entertains no doubt that the Irish Government would reject any arrangement whereby its acceptance of the equipment could be construed as implying any endorsement of the purposes of the MSA Act, would carry any reference thereto, or might involve any kind of commitment or undertaking under its provisions.

The Embassy has acknowledged the Note from the Department of External Affairs and indicated that the request for the desired equipment is being transmitted to the appropriate authorities in the United States. [4]

CLOYCE K. HUSTON

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[3] Neither printed. (740A.5 MSP/1–1052 and 5–2152)

[4] Embassy acknowledgement not found in Department of State files.

No. 718

740A.5 MSP/6-2453

Memorandum by the Officer in Charge of United Kingdom and Ireland Affairs (Beale) to the Deputy Director of the Office of British Commonwealth and Northern European Affairs (Foster)

CONFIDENTIAL [WASHINGTON,] June 24, 1953.

Subject: Agreements currently under negotiation: Ireland

The Irish Government recently submitted to the MSA a group of projects to be financed by utilizing the entire accumulation of pounds 6.14M (U.S. $17.2 million) of local currency counterpart.

Assistance to Ireland under ECA took the form of grants and loans. All assistance to Ireland was terminated in January 1952 because the Irish Government refused to sign the amended bilateral agreement required by the MSA of 1952.

The legislation governing Mutual Security Assistance requires Congressional approval for the use of any unencumbered counterpart which had not been released prior to termination of aid. The Irish situation presents the first instance of this kind.

After NAC consultation on the counterpart release projects is completed, MSA and the Department plan to instruct the U.S. Ambassador to Ireland to negotiate an agreement with the Irish Government stating the proposed purposes of the counterpart utilization. This agreement will be presented to the Congress as part of proposed legislation approving the general purposes of the projects: the passage of a Joint Resolution will permit the MSA to release the counterpart to the Irish Government.

It is recommended that the above agreement be included in the list of Executive Agreements for which specific approval is required under Departmental Circular no. 25. [1]

[1] The Mutual Security Agreement between the United States and Ireland concerning Disposition of the Balance in the Counterpart Special Account was finally signed at Dublin June 17, 1954, and entered into force Feb. 16, 1955. For text, see 6 UST (pt. 1), p. 571.

No. 719

Editorial Note

On September 30, 1953, the Deputy Prime Minister of Ireland, Sean Lemass, paid a courtesy call on Secretary of State Dulles in Washington. He was accompanied by Ambassador Hearne and the

Irish Secretary of Industry and Commerce, Sean Leydon. After a warm exchange of amenities, Secretary Dulles reviewed in general terms some of the major world issues, touching in particular on Korea, Indochina, Vietnam, Iran, Egypt, German participation in the defense of Europe, and the situation in the Soviet Union. Lemass raised only one question and that pertained to the status of the longstanding Irish application for membership in the United Nations. Secretary Dulles raised three possible means of achieving Irish membership, but did not offer hope for the early success of any of them. G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs, was present at the meeting and recorded in his memorandum on the United Nations discussion that, after leaving the Secretary's office, Lemass commented to him that despite some feeling in Ireland to the contrary, the government's position was to permit Ireland's membership application to remain on file at the United Nations as it had for the last several years. Raynor's memorandum of the discussion pertaining to the United Nations, dated September 30, 1953, is in Dublin Embassy files, lot 62 F 81, "350—Ireland (Membership U.N.)". His separate memorandum of the same date covering the earlier part of the conversation concerning world events is in file 740A.13/9-3053.

No. 720

740A.00/6-2954: Despatch

The Ambassador in Ireland (Taft) [1] *to the Department of State*

CONFIDENTIAL DUBLIN, June 29, 1954.

No. 498

Subject: First Meetings with Members of the new Government.

The new Irish Coalition Government succeeding that of Mr. de Valera assumed office on June 2, and accordingly I have been paying "formal" calls on various members of the Government. I plan over a length of time to call on all of them.

On June 10 I called on the Taoiseach, Mr. Costello, for half an hour. He happens to be a good friend of mine from the past, and Mr. and Mrs. Costello both have been entertained several times in the past year at the Embassy. Hence he did not stand on ceremony, and in any case he does [not] retain the formal approach and aloofness of Mr. de Valera. His manner is pleasant and unassuming. He lis-

[1] William Howard Taft III, as successor to Francis P. Matthews, presented his credentials May 13, 1953.

tens to others with much greater interest and attention than his predecessor does. I have noted that he is somewhat impressionable and that his temper is easily aroused by what he considers unreasonable.

During our conversation he talked about the campaign and pointed out that no one had been surprised by the outcome of the election; the great surprise to Fine Gael Party members had come earlier during the landslide in the by-election at Cork. Everywhere he went during the campaign, he said, people had asked him not so much to bring down the price of tea or potatoes or bread, but rather to bring down butter prices. Butter, he pointed out, was a staple in the Irish diet above all other things; whatever the merits of oleomargarine, it had never been popular in Ireland and he is convinced that Mr. de Valera's Government made its fatal mistake by destroying the subsidy on butter all at once. He pointed that he, and not Mr. Norton, the head of the Labor Party, was instrumental in the Government's post-election promise to bring down the price of butter. Everybody had asked him to do so, and he had been impressed.

In answer to my question about wheat, he admitted that the Government was committed this year to the subsidy on wheat, but that he considered the subsidy for wheat growers during a period of glut on the world market was absurd. Without saying so, he suggested that there would be a change in the approach towards wheat subsidies in the future.

On June 15 I called on Mr. Liam Cosgrave, the new Minister for External Affairs. He also is an old acquaintance of mine, and I believe he will be pleasant to work with in the future. He is young (only in his early thirties), obviously intelligent, and friendly but at the same time very shy. He would never, as Mr. Aiken, his predecessor, has done, attempt to lecture me on political and financial matters. We discussed nothing of importance other than the Government's anxiety to promote the release of the counterpart funds in Washington. Nothing was said of foreign affairs. It seemed best to leave these matters alone, although there has been some suggestion from knowledgeable people that the Government would explore ways and means of showing a more cooperative spirit towards the United States interest in collective defense than we could have hoped for from the former Government.

Last week I called on General Mulcahy, the head of the Fine Gael Party and now Minister for Education. General Mulcahy is a pleasantly suave individual, much interested in the Irish language and exceedingly polite about the United States, recalling frequently a visit there in 1926. He is obviously conversant with Irish history and literature, but neither during my call or previously have I

been struck by ideas from him which would denote any dynamic interest in improving Irish education. It is likely to remain as it now is with a shortage of money and a shortage of good teaching. Until education here achieves first consideration in any annual budget, there cannot in my opinion be much change in the difficulties and tenor of Irish life. General Mulcahy and the present Government will be too much concerned with retaining the other costly social amenities to improve the status of education.

June 28 I called on Mr. Norton, the head of the Labor Party, the Tanaiste, and now also Minister for Industry and Commerce. He, too, is pleasant and has never impressed me as a man with a radical outlook. In fact, he talks rather like a conservative. He is direct, intelligent, and interested in what others have to say. I asked him about the Health Bill which has placed the new Government in a quandary because it was sponsored by the Fianna Fail Government and is to go into effect August 1, and at that time the provisions of the current Assistance Act will lapse. Mr. Norton said that even Dr. Ryan's own Secretary and other Fianna Fail members of the council set up to advise Dr. Ryan, who is the former Minister for Health, had voted unanimously (Dr. Noel Browne was absent) against establishing the Health Act until something like adequate facilities are available in hospital and medical quarters. He pointed out that existing facilities are entirely inadequate, and that a new Bill will be offered by next week attempting, as I understand it, to equate the facilities with the continued need to provide for those most needing help. Dr. Ryan, he said, had not even approached any voluntary hospitals to ask them concerning their ability to cope with the Health Bill as now laid down.

He pointed out also that the former Government had left many pieces of unfinished business which were going to be extremely difficult for him and his colleagues to deal with.

WILLIAM H. TAFT, III

ITALY [1]

UNITED STATES POLICY TOWARD ITALY

No. 721

Editorial Note

Documentation concerning the role of Italy in the various European political, military, and economic organizations is not included in the compilation that follows. For documentation on Italy's relationship to the North Atlantic Treaty Organization and on Italian policy toward the establishment of a European Defense Community, see volume V, Part 1. For documentation regarding the political and economic integration of Europe as well as United States economic assistance to Western Europe through the Mutual Security Program, see Documents 1 ff. and 252 ff. Documentation regarding the Trieste issue is scheduled for publication in volume VIII.

[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 543 ff.

No. 722

765.00/1-2152: Telegram

The Ambassador in Italy (Dunn) to the Department of State [1]

SECRET ROME, January 21, 1952—8 p. m.

3275. Political scene in Italy presents, superficially at least, aspect of confused and frustrated drifting which is all the more discouraging since local elections in south are only three months off and natl elections little more than a year away. Situation has elements of real danger and political stability in Italy, depending as it does on work of one man—De Gasperi can no longer be taken for granted in our calculations. Some implications for our policy are suggested at end of this telegram.

Background of course is unremitting activity of whole Communist party apparatus in complicating difficult enough task of political, social, moral, and economic reconstruction of Italy after twenty years of fascism and destruction and demoralization of war and occupations. Overt aspects of Communism have for past two years re-

[1] Repeated to Paris for the Embassy, OSR, and MacArthur; to London for the Embassy and Spofford; and to Moscow, Bonn, Brussels, and The Hague.

mained essentially within frame of legality and have successfully concealed subversive objectives. By a never ceasing campaign of propaganda, closely keyed to internatl and internal events, exploiting fears of war of possible Soviet occupation; by imaginative use of possible Soviet occupation; by imaginative use of demagoguery, deception and fraud, by appeals to prejudices, by exploitation of appalling difficulties of govt, by control of the main tradition of Italian Socialism, all supported by seemingly unlimited financial resources, they have successfully identified themselves with the hopes, fears and frustration of 30 to 40 percent of electorate. [2]

Govt parties, faced with imminent elections, have suddenly realized that having concentrated for four years essentially on business of govt and their own private affairs, with only intermittent attempt to keep support of public opinion, field has been left virtually clear to Commies. Even such progress in social reforms as have been achieved has been turned against govt by clever distortion of Communists. Necessity for counterattack on same massive agitation-propaganda level is only now being appreciated. Importance of their getting underway in such a program and of our assisting in any appropriate way cannot be overstressed.

Tensions generated by appreciation of danger have resulted in intensification of factionalism, in apportioning blame and in proposing cures. One symptom or resulting search for political support is attitude of parties in each wishing to control its own labor organization (Embtel 3172, Jan 14). [3]

All democratic parties seem by their current actions to have forgotten anti-Communistic mandate given them by voters in 1948

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[2] In despatch 1606 of Jan. 10, the Counselor of Embassy in Italy, Thompson, offered his reflections "on the nature of the Italian Communist Party at the present juncture of international developments". Following a three-page analysis of the relationship between the Italian Communist Party and Moscow, Thompson stated, "On balance it would seem that Moscow should be highly displeased with a party that next to the French CP is the most important section of the Cominform abroad and claims a membership of over two million members while controlling the best organized trade union in the country but which with all this is capable of causing so relatively little harm to Italian reconstruction". Moreover, he concluded that Italy had reached the point "where barring Red Army invasion any internal disturbance on a large scale directed by Communists would arise not because of any master plan of the Kremlin and its fifth column but rather because of a desperate social and economic situation that could be exploited by the CP. Accordingly there are grounds for being relatively optimistic on the condition that the Italian Government makes a serious effort in the direction of convincing its citizens that they have stakes in the country that are worth defending even by arms if necessary". (765.001/1-1052)

[3] Telegram 3172 described developments at an interregional convention of Christian Democratic workers at Turin early in January at which Party Secretary Guido Gonella called for a solely Christian Democratic labor organ and criticized the nonpolitical stand of free trade unionism. (865.062/1-1452) A more complete report on developments at this convention is in despatch 1699 from Rome, Jan. 22. (765.00/1-2252)

and bickering and maneuvering for place and for party advantage a predominate note. Necessity of common action in larger interest of preserving democracy is seldom noticed in their actions.

As to individual parties, liberals have taken in some progressive elements and hope to increase their limited electoral appeal. Republicans have no chance of growth but, such as they are, remain fully committed to support of govt policies and to cooperation in coalition govt.

Democratic Socialists have eloquent testimony during recent congress at Bologna that unification last year was achieved on paper only. Left factions oppose participation in govt on principle but rationalize their position as tactic to "attract" support from tightly controlled Communist-Socialist alliance, made necessary by imbalance in size between PSDI and CDs. However, what voter now supporting PCI–PSI wants is more protection or satisfaction to his personal material interests than is now provided by Commies and he is not swayed by metaphysical web-spinning of intellectuals and politicians in Rome. He is not likely to be "attracted" by a pallid reflection of powerful appeal which Communist tactic makes to his often ignorant and prejudiced mind. PSDI has real but limited role to play and we shld particularly support those elements which recognize limitations of what they can accomplish in present situation and which are ready to share responsibility for govt. It is, however, understandable if they wish to stay out of govt for present to have freer hand for electoral campaign, and although Bologna Congress took firm position against linking with other parties in natl elections, this line may well be changed.

Christian Democrats representing all shades of economic interest from left to right are beset by factionalism, intensified by jockeying for position in preparation for their natl congress in June. Reconciliation of conflicting interests of these factions is overriding concern of CD leaders in govt and principal immediate threat to its stability. Situation described Embtel 2791, Dec 23, [4] is breaking out again and opposition to Pella is a symbol of desire of some elements in party to bring govt down in order advance their personal interests. One consolation in this picture is that attacks on CDs by other parties, combined with undoubted commitment of church to unity of Catholic forces within CD Party, will suffice to hold party together and there is already noticeable a beginning of intense organizational activity in preparation for election.

[4] Telegram 2791 reported on Senate passage on Dec. 21, 1951, after much opposition and amid rumors that passage would precipitate a government crisis, of a bill giving expanded powers to the Minister of the Budget, Giuseppe Pella. (765.34/12-2351)

On right, Monarchists have joined forces with neo-Fascist MSI and MSI and this coalition will get substantial proportion of right wing vote. CD leaders are doing their best behind scenes to break up this combination. Groups of Monarchists will probably join with CDs and other democratic parties in some places in local elections this spring, but harnessing of this right wing vote to democratic purposes in natl elections is very real problem. Some observers think that in showdown this vote will go to CDs, as it did in 1948, but present indications do not justify this optimism.

New natl elections will almost certainly be held under a new electoral law which will give CDs more seats than they wld obtain under straight proportional system now prevailing. Possibility of relatively high absenteeism in vote is greatest cause for concern. It is possible that set-back in local elections this spring, or internal or internatl events exposing once more real aims of Communists, will snap democratic parties out of current apathy but erosion of power and leadership is real problem.

Present democratic leadership has been engaged for almost ten years in daily critical struggle for establishment and preservation of democracy. It is small wonder that leadership, meagre as it is after twenty years of fascism, is tired, and fails to give dramatic lead to public opinion or to take kind of forceful actions which wld draw support away from Communists.

Unparalleled catastrophe of recent floods was material disaster requiring diversion of enormous financial resources from other important uses. Worse than this, handling of problem by govt demonstrated defects of leadership and as result was exploited by Communists.

Astonishing economic recovery of Italy has concealed relatively much slower progress in psychological and moral recovery. Stimulating effect of Gen Eisenhower's appointment in Europe and vigorous start which was given to rearmament for common defense has virtually petered out. Support of public opinion for NAT has not waivered but most of officialdom and leaders of democratic parties are convinced that expenditures for social purposes must have priority over additional defense expenditures.

Magnitude of long-range problem of unemployment and of population in relation to productive capacity and resources intensifies sense of discouragement. Some hope is seen in potentialities of tackling these problems in larger framework of developing European unity but progress in this is still too slow to have substantial economic effect in next few years.

All parties increasingly rely on nationalist appeal as measure of genuine self-assertion and to distract from internal difficulties. Long years of dependence on US relationship, combined with insist-

ent attacks on left and right for "subservience" to US, is having its effect. Govt increasingly feels need to demonstrate its independence in internatl field, particularly in its relations with us.

Some implications of this situation for our policy are:

(1) US leadership and patient encouragement of democratic forces is more necessary than ever and if wisely exercised will be welcomed;

(2) We must be exceedingly careful to avoid public criticism of conditions in Italy by US officials in any branch of the govt. Such criticism will simply make matters worse;

We must also recognize tendency to transfer responsibility for troubles to others, even to us. We must be patient and influence which we bring to bear must be brought in private;

(3) We must recognize necessity of doing everything we can to help hold together political forces which formed coalition govt after 1948 elections. (Together they got 55 percent of vote in local elections last spring—compared to about 62 percent in 1948.) With 30 to 40 percent of electorate on left and 10 percent on right controlled by those intent on subversion of entire govt system, there is little room to maneuver. We must not be deluded into breaking up any elements of that coalition with illusory hope of being able to compete in demagoguery with Communists;

(4) We must plan our actions both public and private in support of democratic political parties with view to assuring their success in elections regardless of whether we are satisfied with their composition or with all their policies;

(5) Civic comites, which have been training political activists for precisely this task, will have same crucial part to play as they did in 1948 in getting out the vote on non-party anti-Communist basis;

(6) Most fruitful work which USIS can do is in support of efforts of Itals themselves. Overt US propaganda labeled as such cannot do much to help situation. We must, of course, keep before Ital public full explanation our purposes and policies but, to extent there is feeling against US, identifiable US activities intensify it rather than cure it. . . .

DUNN

No. 723

700.5 MSP/1-2152: Circular airgram

The Department of State to Certain Diplomatic Missions [1]

[Extract]

CONFIDENTIAL WASHINGTON, January 21, 1952.

Subject: Intergovernmental Understandings on OSP.

Unn. This is joint State, Defense, MSA, DMS, Treasury message.

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IV. Benton Amendment Issues

23. *General Statement*—The Benton Amendment (Section 516 of the Mutual Security Act of 1951) restates in legislative terms U.S. policies regarding the need to administer assistance in such ways as to encourage free enterprise to eliminate restrictive business practices and raise productivity, and to encourage the development and strengthening of free labor union movements to the extent feasible. It is important that our execution of the OSP program and other programs meets the intent of the amendment, which is to strengthen the economic and political fabric of Western Europe. Moreover, the issues to which the amendment is addressed are of immediate practical application in the successful attainment of OSP's primary objective, inasmuch as their solutions may be expected to result in avoidance of work stoppages, sabotage, and adverse Communist propaganda, and to ensure prompt deliveries of military equipment procured at reasonable prices. However, at this stage of the OSP program it is difficult either to predict in detail the extent and character of the problems which will arise in practice or to lay down in advance and make applicable to all countries a general set of techniques for dealing with problems in this area. Therefore, in addition to taking such action recommended below as may be appropriate in specific countries, you are requested to report fully to regional and Washington offices on pertinent experience as it is gained so that new or improved techniques may in time be made available to all country teams.

24. *Labor Policy and Guidance*—The offshore procurement program must be conducted in such a way as to win the support of

[1] This 12-page message, drafted by Kranich of State, Arth of DMS, and Levy-Hawes of Defense, was sent to Brussels, Copenhagen, Paris (with instructions to pass to Rubin and OSR and MacArthur), Rome, The Hague, Oslo, London (for Embassy and Spofford), Luxembourg, and HICOG Bonn. It was repeated to Heidelberg for Handy, Wiesbaden for Norstad, and Naples for Carney.

European workers and strengthen and keep the good will of the democratic trade unions. It is imperative that this be fully appreciated, for if offshore procurement is not conducted with due regard to the labor aspects and implications, the program may turn out to be a boon to Communist propaganda and Communist strength. The nature of this problem varies widely among PC's and considerable discretion is left to you as to how best to meet the requirements of your own situation.

25. *U.K., Netherlands, Norway and Denmark*—In the cases of the U.K., The Netherlands, Norway and Denmark, no extraordinary effort is required on our part. Democratic labor unions are strong, management generally enlightened, union-management relations generally satisfactory, and Communist influence is of minor importance.

OSP contracts should include the labor clause contained in Depcirtel 572 of January 3, [2] and where the PC Government's own procurement contracts are subject to legislation or regulations calling for wages and working conditions better than the generally applicable standards, OSP contracts shall also require conformity with these higher standards. Procurement officers should stress in their contract negotiations the importance we attach to good union-management relationships. They should avoid placing contracts with the occasional notoriously sub-standard or anti-union firm unless these firms are willing to make improvements. In general, country teams and procurement officers should be guided in these regards by the advice of Labor Attachés and MSA Labor Advisers.

26. *France and Italy*—A wholly different situation prevails in France and Italy, where a large part of our contracts will be placed. These two countries offer the greatest potentialities for using OSP to achieve the free trade union objectives of the Mutual Security Act and the greatest dangers of its having the opposite effect if the labor aspect is neglected or mishandled. The factors to be considered in Italy and France are (a) the preponderant position of Communist unions in the labor movements as a whole and more particularly in the very industries most likely to be involved in OSP; (b) the general indifference, or even hostility, of most French and Italian workers to the defense program; (c) their extreme discontent over high prices, low wages, and high profits; and (d) the

[2] This circular telegram notified certain American missions in Europe, including the Embassy in Italy, that the OSP contracting should begin immediately. It also contained the full text of a Department of Defense cable of Jan. 3 giving detailed instructions to offshore procurement officers. (780.5 MSP/1-352)

unenlightened labor practices of many employers and the lack of adequate protection of labor by their own unions.

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No. 724

Secretary's Memoranda, lot 53 D 544, "February 1952"

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington) [1]

TOP SECRET WASHINGTON, February 12, 1952.

Subject: Italian Situation

Participants: The Italian Ambassador, Mr. Tarchiani
The Secretary of State
Mr. Byington, WE

The Italian Ambassador said that Prime Minister De Gasperi was becoming increasingly preoccupied with the internal situation in Italy. He hoped that during the course of the conversations in Lisbon De Gasperi would have an opportunity to speak personally with the Secretary of State on this subject.[2] The Italian Government was confronted by the forthcoming administrative elections this spring in the south and by the national elections which were now only one year away.

The Communist Party apparently has unlimited funds to finance its activities and is becoming increasingly active in the south. The government is hard put to offset the Communist campaign that the costs of rearmament will lower the present low standard of living for the worker.

Prime Minister De Gasperi's government at the same time faces increasing opposition on the part of the land owners who oppose its policy of agrarian reform and on the part of the industrialists who do not approve of the fiscal reform and of its consequent increase in taxes. These two programs which are politically necessary in Italy have the effect of alienating financial support which is also desperately needed by the government.

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[1] The source text was initialed "D. A. (F[red] L. H[adsel])".

[2] Regarding a conversation between Acheson and De Gasperi in Lisbon on Feb. 21, 1952, see vol. v, Part 1, p. 128.

The Secretary replied that he had been fully informed of the situation in Italy and that he was deeply interested in it. He said that he would look forward to talking personally with Prime Minister De Gasperi at Lisbon.

Ambassador Tarchiani then referred to the Italian note to the Soviet Union, the text of which he had given to Mr. Perkins yesterday, [3] and inquired whether the Secretary had any views in that regard. Other than expressing general agreement with the Italian action, the Secretary did not pursue the matter.

Ambassador Tarchiani also touched on the negotiations between Italy and Yugoslavia concerning Trieste and referred to his explanation to Mr. Perkins yesterday of the difficulties in the way of an agreement. He characterized the Yugoslav proposals as most unreasonable and expressed pessimism with regard to the possibility of a favorable outcome.

[3] The *note verbale* which the Italian Foreign Ministry delivered to the Soviet Embassy in Rome on Feb. 8 protested the USSR's veto, in the meeting of the U.N. Security Council on Feb. 6, of a proposal to admit Italy to the United Nations. A copy was transmitted with a note of Feb. 11 from the Italian Embassy to the Secretary of State, both of which were given by Tarchiani to Perkins on Feb. 11. (Memorandum of conversation, Feb. 11; 310.2/2-1152)

No. 725

765.00/5-2052: Telegram

The Ambassador in Italy (Bunker) to the Department of State [1]

SECRET ROME, May 20, 1952—9 p. m.

5067. Fol discussions May 25 election prospects which are becoming, particularly in Rome, test-of-confidence in De Gasperi's center coalition formula for natl govt:

Bickering, apparent lack of purpose and self-confidence and jockeying for short-term advantage continued (Embtel 3275 rptd info Paris 480, London 322 [2]) to be impression Demo Parties gave public through most of pre-campaign negots for electoral alliances. At last moment, however, center coalition was resolidified in crucial centers (and after slow and unimaginative start in campaign itself Demo Parties are gaining punch and momentum). April 21 proposal of Don Sturzo (Embdes 2588 May 6 [3]) for combined anti-Commie

[1] Repeated to Paris, London, Belgrade, Trieste, and the Consulates in Italy.

[2] Document 722.

[3] This 14-page despatch analyzed the negotiations among the democratic parties in March and April regarding possible alliances in the May 25 elections. (765.00/5-652)

list in Rome including even neo-Fascist MSI and Monarchist (PNM) elements tested center coalition by fire. Fact of its having been directly inspired by Pope was evidence of virtual panic over probable results Rome. In withstanding Sturzo proposal, Democratic Parties noticeably drew together. Another effect of proposal, however, was to make Rome more than before test of center's continuing ability to hold natl working majority against both Commies and right.

Opposing thesis for which Catholic Action Chief Luigi Gedda has become symbol, wld be opening of center ranks to "better elements" of right on natl scale. [4] Danger in this idea wld be risk of forcing minor parties into ineffective opposition and possibility they wld break up as polit forces became polarized with "anti-Fascism" even driving some left-center elements into Commie arms. Foregoing is oversharp statement of alternatives as realities wld blur issues and force accommodation and compromise but De Gasperi's present formula of liberal, mildly anti-Fascist democracy based on parties emerging from liberation period is being put to real test.

Emb believes center alliance will pull through in Rome but with plurality of 50,000 votes or less as compared with 320,000 in 1948. Outside of Rome, judging from election results in scattered southern cities in 1951, center can expect to hold only about 4 of 10 largest cities where elections being held this year (Embdes 2279 March 28, 1952 [5]). They may expect to lose some 40 percent of their 1948 vote and see one-half to two-thirds of this lost strength shift to MSI and Monarchists, causing strikingly increased rightist totals. Leftists (including front lists) can be expected to gain 5–20 percent on mainland and up to 40 percent in Sicily over 1948. CD losses in south unlikely to be compensated for even in part by minor party gains except in Rome where Liberals will pick up strength.

If Rome saved, however, national polit catastrophe will be averted even if Naples and other cities lost. Such govt losses cld credibly be explained in part as fols:

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[4] In airgram A-822, Feb. 14, the Department of State informed the Embassy in Italy that it was issuing a series of Periodic Reporting Guides in order to provide an indication of some of the current topics of interest to the Department. One of the six topics listed in this airgram, the first in the series, concerned the appointment of Gedda as head of Catholic Action and whether his appointment meant that the Church would support Catholic Action in preference to the Christian Democratic Party and whether it would have any effect upon a possible Catholic *modus vivendi* with the extreme right. (124.655/2-1454) Copies of subsequent Periodic Reporting Guides sent to the Embassy in Italy, dated June 23 and Sept. 19, 1952; Feb. 24, 1953; and Mar. 24, 1954 are in file 124.655.

[5] This three-page despatch surveyed the prospects in the southern local elections. (765.00/3-2852)

1. Naples is shipping-magnate Lauro's (PNM) bailiwick and his followers promising everything from new soccer stadium to special past ration in return for votes. Rightist victory (or leftist one by dispersal) cld be explained as "bought" by Lauro's millions.

2. Palermo, Catania, other Sicilian cities will almost surely be saved from Commies because linking not provided for and leftists do not have change for victories from dispersal of non-Commie vote. While negotiating with right after elections to form city councils will be hard, it will cause few crisis-feeding headlines.

3. Absenteeism is understandable considering centralized structure Ital state and fact local admins have very limited power. Anti-Commie propaganda notwithstanding, Stalin cannot ride to power in local elections and it is difficult to convince Ital voter, who knows better, that he will. Real crisis is psychological one affecting polit and church leaders' faith in themselves, in De Gasperi, and in center. This psychological crisis is hard to project to voter when leftists are talking about street-car service.

4. There are unfavorable technical considerations including fact army (mostly non-Commie) cannot go home to vote, etc.

5. There is shift of working class voters to cities either by natural population movement or by Commie manipulation of registration laws. In 1951, leftist vote actually decreased slightly if total throughout area in 1948 and 1951 compared, while in cities it increased with few exceptions up to 20 percent.

6. Excluding Rome, only one-third of Ital population, practically all in south, is voting. Southern neo-Fascism and Monarchism is largely special, "local" phenomenon caused by fact south never experienced severer aspects Ger occupation or [garble] republic, saw Amer Army as invader, had closer ties with African Colonies and received refugees and suffered econ damage when Colonies lost, had Monarchist tradition, and have social structure which discourages moderate or "progressive" polit thought. Next year with Milan other great northern cities, CD Veneto, traditionally Socialist Po Valley and historical republican strongholds in picture, southern "rightist resurgence" will be in far different perspective.

Foregoing assumes Rome can be held. If De Gasperi lost capital to leftists, election cld no longer be passed off as "local" and Demo voting losses wld have surpassed anything above cld explain. Even staunchest supporter of center wld have to admit continuing viability of present coalition doubtful. Crisis might bring natl elections this fall, radical govt reorganization (possibly but not probably with De Gasperi stepping aside) or postponement natl elections (which leading from weakness wld be even more dangerous and unpopular) from 1953 to 1954.

Whether Rome won or lost, explanations and justifications given above can only partly account for drop in popular support for CD which is sure to be expressed. Much of this loss is inevitable, the result of erosion from long encumbency and fact that CD in 1948 was largely shelter against Red cyclone and many votes were not actually its own. CD Party spectrum ranges from industrial barons

to socialist visionaries with all shades between. De Gasperi is criticized for improvisation and lack of purpose, but if he carried out resolute and uncompromising polit line, he might no longer be able to hold party together. His job and his genius have been balancing and placating forces which remain in party largely because they find machinery which can still get them elected, find power, and find opportunity for patronage. If De Gasperi resolutely denied them all this, they wld desert and Demo margin is not such that they can be scorned. Result is, however, that public also begins to regard party only as vehicle for dispensing patronage. Party also suffers from lack of capillary organization bringing contact with people. Civic Comite achievement in organizing countrywide support of CD, at local level thereby filling void, has made it too easy for party to do little or nothing between elections. CD leaders realize this sitn and make sporadic efforts to correct it but so far without success. (This detachment of CD from people is shared by minor parties. To some extent whole group of Demo politicians live in little world of liberation-period-anti-Fascism, which no longer finds real popular response, of personal antagonisms and interests and of artificial issues and principles which have little relation to everyday needs and interests of people. CD with practical responsibility of govt, is probably less guilty of this than others.) On policy level CD has displayed lack of follow-through in anti-Commie fight during past year or two which brings criticism from Conservatives and some left-center elements within and outside party. (Present plans for laws against both left and right (Embtel 5018 May 16, 1952 [6]) may quiet some of this criticism.)

On the other hand, solid achievements of govt are many as Ital public is not completely unaware (in spite of CD failure to publicize them effectively). Furthermore, alternatives have disagreeable features which are all too plain.

Whether or not Rome lost, extremist gains—which are certain—will jolt De Gasperi's govt. Left (and probably also right) will almost surely beat drums for immediate polit elections on basis that govt and Parliament no longer represent majority of voters. De Gasperi will almost surely try to broaden base of govt, hoping to bring Liberals and PSDI back in. (Romita has said privately "defense of democracy" will be his overriding consideration after elections and PSDI might enter govt in this basis without calling new

[6] Telegram 5018 discussed the implications of additions to the Penal Code which the Cabinet had approved on May 13. The additions included a 1–3 year prison term, a fine, and a 5-year bar to holding office or voting for anyone engaging in activities threatening democratic, constitutional institutions, or defaming a member of Parliament, or threatening or exhalting violence as a political method when danger to citizens' political and civil liberties might result. (765.13/5–1652)

party convention.) De Gasperi may also bring in right wing of own party which presently is not represented (Embdes 2401 April 9, 1952 [7]). He will also turn to revision of law for natl elections to provide linking, single member districts or some other modification which wld re-enforce center margin.

BUNKER

[7]This despatch analyzed the program of the right wing of the Christian Democratic Party submitted to De Gasperi by 74 CD Senators and Deputies in a lengthy paper entitled, "Problems of the Hour and Government Action". (765.00/4–952)

No. 726

Editorial Note

In the municipal and provincial elections held in southern Italy on May 25, the parties of the Left and particularly those of the Right registered impressive gains at the expense of the Center coalition of Christian Democrats, Social Democrats, Liberals, and Republicans. Although the Center parties won about 51 percent of the vote, their total was about one-third less than it had been in 1948. The Christian Democratic Party retained control of the city administration in Rome and in about half the other cities where there was voting. The Monarchist Party made substantial gains in the cities of Naples and Bari, while the gains of Movimento Sociale Italiano (MSI), though not as striking as those of the Monarchists, were more widespread throughout the south. An early appraisal of the election results is in a memorandum of May 28 from Bonbright to Bruce. (765.00/5–2852) An analysis by the Embassy in Rome of both the 1951 and 1952 local elections is in despatch 2939, June 19. (765.00/6–1952)

No. 727

765.00/6-1252

Memorandum of Conversation, by the Deputy Under Secretary of State (Matthews) [1]

SECRET WASHINGTON, June 12, 1952.

Subject: Italian Parliamentary Elections

Participants: The Italian Ambassador
Mr. Matthews, G
Mr. Byington, WE

The Italian Ambassador [2] said that he had come to have a general discussion with me regarding the Italian elections now scheduled for 1953, probably in April.

He began by analyzing the results of the recent administrative elections in south Italy. He said that in many ways these results had been better than expected. The Government had recognized that there was going to be a strong protest vote in the south and was relieved that this vote had gone to the Nationalist Right rather than to the Communists. Only the Communists were strong in both south and north. Since the Right in the north was relatively very weak indeed, even these developments in the south if continued next year would not give the Right a percentage greater than 10 percent of the national total. On the other hand, the Government could not look with equanimity on the situation as it stood now and must realize that if a center government were to continue in Italy there must be an improvement in the general situation.

He, himself, was of the opinion that Prime Minister De Gasperi would not follow the advice of some of his followers that he try to form a coalition to the right with the Monarchists. Instead, he believed the Prime Minister would maintain the course followed so far of attempting to keep together a center coalition to include the Liberals, Republicans and Independent Socialists. In this connection, while these minor parties had a negligible strength in the south, they did amount to something in the north and would probably in the long run contribute more strength nationally to a coalition than could the Monarchist Party. It was in any event obvious that the Christian Democrats could not align themselves with the MSI and have any moral ground on which to continue their fight against Communism.

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[1] Drafted by Byington.
[2] Alberto Tarchiani.

If the general situation were to improve a number of things would have to be done. Many of these measures depended on the present government itself. One of them was the necessity for further carrying out the fiscal reform. Another was the strengthening of the bureaucracy and the placing of more competent men in key positions. A third was a more active follow up of the land reform program which had not progressed sufficiently as yet to influence a substantial number of voters. The Ambassador said that he believed the Italian Government was fully aware of the need for these measures and intended to go ahead with them.

In addition to the foregoing there were some other matters in which we could be of help. First there was the question of Trieste which played into the hands of the extreme Nationalists. The Italian Government desperately wanted a solution and it felt keenly that no direct solution would be possible with Yugoslavia without the help of the United States to bring Tito around to a reasonable attitude regarding an ethnic solution within the framework of March 20. [3] A solution of the Trieste question prior to the elections would be of utmost importance.

Next, there was the question of the United Nations which had caused widespread criticism of the government among patriotic citizens who objected to seeing Italy in the position of a supplicant knocking at the door and refused admission to an organization which already included even Ethiopia. The result was a general hue and cry that the government did not have sufficient influence with its friends to obtain their support and therefore the government should follow a more conciliatory policy vis-à-vis the Soviet Union. Our failure to obtain Italy's admission tended to overshadow the fact that it was the Soviet veto that kept Italy out. The issue also was clouded by the Soviet claim that it would vote in favor of Italy provided its satellites could be admitted. The Ambassador made a strong appeal for assistance in this direction, which he said would have a bearing on the forthcoming elections.

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[3] The reference here is to the public statement by the Governments of France, Great Britain, and the United States on Mar. 20, 1948, that Italy should regain control of all of Trieste.

No. 728

711.551/7-2552: Telegram

The Ambassador in Italy (Bunker) to the Department of State [1]

SECRET ROME, July 2, 1952—5 p. m.

25. In my recent talk with the PriMin [2] I complimented him on the handling of Gen Ridgway's visits [3] and particularly on the firm measures he had taken to prevent any disorder on the part of the Communists. He replied that it was necessary to take a firm hand, and he said that in this connection certain laws were necessary for the perfection of the democratic system. He said these included the anti-Fascist law which has been passed, the labor law, the law for the regulation of the press, and the Polivalente law, which he described as intended to give authority for handling emergencies. He said that unfortunately he was not in the position of Mr. Pinay in Fr, who had acted against the Communists under a law which he found had been passed in 1848. He said that in Italy the Court of Cassation had held that laws passed prior to the new constitution were invalid. Consequently it was necessary now to pass legislation to implement the provisions of the constitution and to perfect and defend the democratic system.

He remarked in passing that there was one important difference between the MSI (neo Fascists) and the Communists, i.e., that the former, who appealed largely to the youth of the country, wld unquestionably fight on our side if war came, whereas this was not true of the Communists. I indicated to the PriMin that I wld like to discuss the Communist problem further with him in the near future.

BUNKER

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[1] Repeated to Paris.

[2] Bunker talked with De Gasperi on June 28. Their discussion that day concerning the Italian labor law was reported separately in telegram 27 from Rome, July 2. (865.06/7-2552) Their discussion of possible shipments of ball bearings and rolling stock equipment by Italy to Eastern European countries was reported in telegram 26 from Rome, July 2. (449.659/7-252)

[3] Gen. Matthew B. Ridgway, who had succeeded Gen. Dwight D. Eisenhower as Supreme Allied Commander, Europe, on May 30, 1952, visited Italy June 16–19.

No. 729

765.00/7-852: Telegram

The Ambassador in Italy (Bunker) to the Department of State [1]

CONFIDENTIAL ROME, July 8, 1952—4 p. m.

88. Fol is comment on Southern elections and their implications for 1953:

Pattern which appeared in scattered voting in South last year (Embdes 2279, Mar 28, 1952 [2]) was confirmed this May, with CD Party dropping about four tenths of its 1948 vote in South, losing Naples, Bari and some other Southern cities to Rightists. Taking last year's results together with those this year to have nationwide picture, CDs and minor democratic allies polled 51 percent of total vote (compared to 62 percent in 1948 giving them 64 percent of Chamber seats) while Social-Communists polled 35 percent and Rightists 12 percent.

But signs are not that Center coalition is currently in full retreat but that Center's vote-getting power fell back from phenomenal 1948 peak very soon after that voting and has now more or less stabilized at level indicated by 1951–52 results. In those spots where voting last year was repeated this May, CD Party picked up votes, while Social-Communists and Rightists remained stationary. Even considering whole four-year period since 1948 Social-Communist vote remained stationary except in South where Leftist "vacuum" had existed—filled by intense organizational effort spreading over several years bringing Social-Communist strength as measured by 1952 elections closer to natl average. As for Rightists, besides signs of leveling off in past 12 months there is fact that South has consistently had high Rightist vote in post-war period. Sole exception was 1948 which came at uniquely favorable instant for CDs because "Common Man" Party had already spent itself and MSI had not yet emerged. Before and after 1948, CD vote has shown surprising stability. While this means that 1948 CD vote cannot be counted on again, it also suggests that present lesser but stable CD vote can be expected in 1953. Minor allies can also be expected to contribute approx same vote they did in 1951–52.

Foregoing suggests that Center coalition's 51 percent of natl vote is not likely to drop further. There are also reasons to believe it will increase some between now and 1953:

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[1] Sent also to London, Paris, and Moscow.

[2] See footnote 5, Document 725.

1. Mechanics of 1952 electoral law resulted in over a million blank ballots, bulk of which will probably be democratic votes next year (Embdes 2997, June 22, 1952 [3]).

2. Total vote cast was million and a half less than in 1948 while next year it should be as great or greater than in 1948 (because of population increase). Absentees in off elections are notoriously not the extremists.

3. There are signs that land reform and social projects have already made as many enemies as they are going to make and in spots they are beginning to make friends.

Consequently, still slim but slightly increased democratic margin seems likely, even if De Gasperi were not taking special measures to alter situation in his favor:

Worse conceivable possibility which Emb does not believe will materialize, and still assuming no special action by De Gasperi, would be further drift away from Center—putting it in minority. Then De Gasperi would have to (1) try governing as minority—which he has already done once on sufferance of Common Man Party and others in 1947, (2) try deal with Right, or (3) hold new elections, as no single bloc would be parliamentary majority. Although none of foregoing alternatives would promise stable govt, outright Communist victory would not in any case be immediate danger.

But De Gasperi and CD Party have indicated since 1952 elections that they do intend special action to alter situation in their favor: (1) by strong govt policy against extremists (Embtels 5396 and 5679 [4]) and (2) by changing electoral law to achieve stable parliamentary majority even with reduced margin at polls (Embdes 2744, May 21, 1952 [5]). Emb believes this program will be successful.

Only alternatives to retaining Center coalition and reinforcing it by above and all other possible measures, would be to broaden it to right or to left.

As regards right, adding Monarchist's four percent of national vote would achieve little and would probably cause Republicans, Social Dems and some Liberals to desert coalition, leaving it weaker than it has been to present. In preelectoral negotiations this year Republicans served notice that they would leave govt if CDs even allied with Monarchists on local level in a few Southern

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[3] This nine-page despatch viewed the 1951 and 1952 local elections as a measure of political trends in Italy. (765.00/6-2352)

[4] Telegram 5396 from Rome, June 10, commented on the points of a communique issued after a June 5–6 meeting of the Central Committee of the Christian Democratic Party. (765.00/6-1052) Telegram 5679 from Rome, June 25, commented on the decisions reached at the Christian Democratic National Council meeting of June 21–24. (765.00/6-2552)

[5] Despatch 2744 discussed the national electoral law and the views of the various political parties regarding changes in it. (765.00/5-2152)

cities. They could hardly stomach natl political alliance with Monarchists now. Even adding both Monarchists and MSI would not make up for minor party defections. Further danger is that minor parties, faced with "monarchicoclerico-Fascist alliance," would be prey to Communists, whose main apparent preelectoral aim is to break out of the isolation successfully imposed on them by using "anti-fascism" and "defense of Republic" to separate Social Dems and Republicans from Democratic Center (Embdes 2833, June 5, 1952 [6]).

As regards left, Emb regards Nenni's overture to democratic parties with extreme suspicion (Embdes 2833 also) and his current trip to East Berlin Partisans-of-Peace Congress tends to confirm it.

Extreme left-wing Social Dems and others offer somewhat special solution to problem of defending Ital democracy. They say: "If we were not forced by electoral laws to identify ourselves with CD Party—which compromises us with workers—and if we had real US financial and other support, we could cut into Communist strength and reduce its menace."

Emb believes it very doubtful that ties with CD (linking, etc) are actual reason why non-Communist left has failed to crack Social-Communist shell, because (1) elections results do not show Social Dems suffered from linking (Embdes 2939, June 19, 1952 [7]) (2) Cucchi-Magnani movement in year and half of effort with sizable covert financial support in past months (apparently from Jugoslavs, others) averaged only about one half of one percent of vote in Rome and Bari and even in selected smaller towns where candidates put up totals were negligible. Movement's strength in Communist areas to north is if anything less. Furthermore much of support they do have was achieved by raids on Social Democrats. (3) In four years since 1948 with defections of Romita and others from PSI, formation PSU (whose aim was to convert Socialists) departure PSLI from govt on PSU insistence, etc. Social-Democratic vote has not increased at all.

The possibility of some new maneuver along lines suggested by left-wing Social Democrats being successful in months that remain before elections seems very small. On the other hand subtraction of

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[6] Despatch 2833 reported on the public statements and the private overtures which the head of the Partito Sociale Italiano (PSI), Pietro Nenni, had made to certain Italian officials indicating he might take a line more independent of the Communist Party. It also analyzed the basic political strategy of the Communist Party. The Embassy concluded that, while reports from sources close to De Gasperi indicated that the Prime Minister did not believe Nenni to be sincere, the best policy for the United States, irrespective of the sincerity of Nenni's overtures, was skeptically to await "concrete signs" of Nenni's independence. (765.00/6-552)

[7] Not printed, but see Document 726.

present Social Democratic strength from Center coalition, would greatly increase likelihood of CD-Rightist alliance.

In conclusion, Emb believes that with hard work Center coalition will pull through next year's elections and that departure from it would only increase dangers to Ital stability and democracy. Recommendations contained in Embtel 3275, Jan 21, 1952, [8] and also views expressed in Embtel sent Paris 25, rptd info Dept 114 [9] seem best US course for next months.

BUNKER

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[8] Document 722.

[9] This telegram, dated July 9, and sent to Paris for SRE, included the following recommendations regarding U.S. military assistance to Italy: (1) at all levels the United States should quietly urge the Italian authorities to carry on as rapidly as possible the defense commitments already made without undertaking further commitments of substantial size, (2) the United States should maintain the level of aid to Italy at the highest point possible until after the elections, especially in the OSP field, (3) continuous attention should be given to the matter of restricting the size of American agencies, both civilian and military, so as to minimize the "overpowering ubiquity of Americans now in Europe engaged in defense operations," and (4) care should be taken not to press the Italian Government into greater haste than its own political situation would permit. In this regard, increasing evidence was noted of resentment in Italy of U.S. officials urging the Italian Government to accomplish various goals by specific deadlines. (765.5 MSP/7-952)

No. 730

661.65/7-2552: Telegram

The Ambassador in the Soviet Union (Kennan) to the Department of State

TOP SECRET Moscow, July 25, 1952—8 p. m.

173. Eyes only Secretary from Kennan. Have learned from authoritative source [1] fol re Nenni's visit here and recent talk with Stalin.

Interview with Stalin was arranged at Sov suggestion and came as pleasing surprise to Nenni, who has impression he is first Stalin prize winner to be personally received. He had previously met on several occasions with Malenkov and with Molotov, though it was not clear whether any of these mtgs took place on occasion present visit. This first time he had met Stalin.

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[1] In telegram 302 from Moscow, Aug. 15, Kennan stated that the appearance of a newspaper column by Joseph and Stewart Alsop giving the full story of Nenni's interview with Stalin had caused Kennan the deepest embarrassment in his relations with the Italian Ambassador in Moscow, Mario Di Stefano, who had been Kennan's source. Di Stefano had also told Kennan that he was the only person in Moscow given the full story. (661.65/8-1552)

Stalin appeared in excellent health and vigor, physically and mentally. His questions were keen and reflected extensive knowledge of subjs discussed. (Nenni, incidentally, ridicules rumors that Stalin is not in sitn of continued complete authority in Politburo, altho he does say he thinks Malenkov most likely candidate for succession.) Stalin's questions early part of interview were focused sharply on Ital domestic political sitn and included shrewd and well informed queries about several matters, including nature of electoral law which will govern next elections. It was quite evident center of his interest was possibility overthrow of De Gasperi Govt and introduction of left-wing govt which would adopt different fon policy line. Stalin inquired for details about idea of neutralized Italy under great power guarantee which Nenni had once advocated. When Nenni explained he had envisaged joint guarantee by US and USSR, Stalin had promptly declared this to be out of question, as being incompatible with prestige great power like Italy. Stalin had then made some sort of reference to possibility or desirability of Ital-Sov non-aggression pact as goal toward which people shld work.

Above represents what is reported of conversation from direct statements later made by Nenni. However, fol significant facts may shed further light on subjs and tenor of discussion. In interview given to Sov magazine *Ogonek* prior to mtg with Stalin, Nenni had stressed seriousness of Ger sitn and had stated that the division of Ger cld create a new Korea in the heart of Europe. After talking with Stalin, however, Nenni voiced opinion in conversation with my informant that Ger was not necessarily greatest danger spot, that concept of any single outstanding danger spot was misleading one, that sitn was always in state of flux, that one day it might be Ger, another day Japan, another day Italy or again even Iran.

Furthermore, Nenni said he had been told by other people in Politburo entourage that Stalin regarded present interchange of notes as completely phony and futile and believed that what was in the cards in Ger for immed future was estab of new equation of forces to be determined by success of both sides in their efforts to rearm Gers. My informant says Nenni also told him that he had previously (some months ago, I gather) spoken with Pieck and Grotewohl who had said at that time that policies being pursued by Sov Govt were ones which would call for great sacrifice from them and that they might soon be forced into position on Ger comparable to that of Nenni in Italy, by which they presumably meant that of a left-wing minority in a parliamentary system. My informant had impression that this earlier statement was adduced by Nenni to indicate contrast with present sitn, in which Nenni considered that danger envisaged by Pieck and Grotewohl was no longer acute.

What was being strongly hinted at, my informant thought, was firm Kremlin decision to accept division of Ger and make the best of it.

Nenni had inquired of informant about myself and asked whether I really entertained friendly feelings toward Russia. Informant says he replied that I had come here in hopes of bettering sitn and of getting some idea of thinking of Kremlin on present internatl problems.

Of interest in connection with Stalin's questioning of Nenni is fact that at recent Polish natl reception (July 22) which I did not attend, Budenny approached Ital Amb and spoke to him with some force about Ital-Sov rels, stating that Sovs willing to forget Italy's participation in war, that they were interested in future not past, that it was still possible for Italy to make change in her orientation, and that Ital statesmen who failed to hear and obey will of Ital people wld be harshly dealt with when day of judgment arrived. Budenny, who was ranking Sov official at party, had opened conversation by pointing to rather absurd division of that gathering into western and eastern social huddles and had observed that this sort of thing cld not go on much longer. It is to be doubted, in my opinion, that Budenny would have undertaken this sort of conversation without some sort of higher encouragement.

Nenni has been asked to attend opening of Volga-Don Canal scheduled July 27 and may thereafter return to Moscow. While here he has been kept in suburban Dacha and Sovs have shown great solicitude for his health, sending Kremlin doctor him, etc. As far as I can ascertain, this solicitude was extended spontaneously as friendly gesture to older man and did not arise from any request of his, but this point is somewhat vague. Nenni has also been invited visit Commie China, but doubts that time will permit him to do it.

So much for info. Fol is my comment. It is quite clear that Italy is number one in Sov hopes for driving a divisive wedge into Atlantic Pact group. This is for several reasons, including outstanding position of Ital Commies as strongest and most successful Commie party in any non-Commie country, Italy's strategic position militarily and politically, outflanking Yugo and Albania as well as Greece and Turkey, and possibility that resistance to Communism in Mediterranean area generally may be seriously shaken, in Kremlin's hopeful view, by events in Iran, North Africa and elsewhere. Shld Nenni's followers, in combination with Ital Commies, succeed in over-balancing center in coming elections it is possible Kremlin might prefer, in accordance established practice, that fellow traveller Nenni take over as Premier, share responsibility and help confuse and soothe populace during period while Commies

are consolidating hold over police, army, labor, education, etc. hence intense Kremlin interest in his person, health and state of mind. Of how much of this he is aware is unclear. My informant considers him sincere intellectual marxist, but perhaps seriously blinded by personal ambitions.

Wld doubt that this story can long be held by others who now have knowledge of it and suspect Dept will soon be hearing repercussions of it from various sources. Believe that Canadians, for special reasons will be given complete fill in. However, feel strongly that we shld not let curselves appear source of leaks and recommend close hold of it on our part. Wld suggest that two or three days from now, not sooner, this msg be repeated by Dept to Rome, Bonn, London and Paris, and at Dept's discretion to MacArthur for Ridgway, as top secret communication. [2]

KENNAN

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[2] An attached memorandum for the files indicates that the message was repeated on July 30 to Rome, HICOG Bonn, London, Paris, and to MacArthur for Ridgway. In a memorandum of Sept. 4 to Acheson, Bonbright expressed his belief that developments since July 25 tended to confirm Kennan's opinion regarding Soviet hopes to use Italy as an opening wedge to rupture the unity of Western alignment. Bonbright also expressed his fear that recent actions by the United States and other Western nations might have helped the Soviet Union's chances for achieving its objectives, in that Italian officials had evidenced a steadily growing feeling that Italy was isolated diplomatically and that its interests and desires were given little weight by the Western nations. Although he doubted that Soviet designs for Italy would succeed in the short run or that the Italian Left would be able to defeat the Center coalition in the 1953 national elections, he nevertheless felt that the margin of safety was extremely slender. In order to reassure the Italians and "to nip in the bud the idea already bruited about by right-wing nationalists that Italy's interests would be better served by less willing and less complete collaboration with the West," Bonbright recommended several courses of action for the United States, including the continuation of making every effort consistent with other U.S. objectives to bring about a compromise settlement on Trieste, and the extension of economic aid to Italy "in an amount sufficient to prevent feelings of national affront and renewed suspicion of a lack of regard for Italy as a member of the Western alignment". (765.00/9–452)

No. 731

611.65/7–3052

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Byington)

TOP SECRET WASHINGTON, July 30, 1952.

Subject: United States-Italian Relations

Participants: Mr. Tarchiani, Ambassador of Italy
The Secretary

Mr. Perkins, EUR
Mr. Byington, WE

The Italian Ambassador said that he was leaving early next month for Italy and had come in to say goodby and to have a general review of U.S.-Italian relations prior to his departure. He hoped to visit with Prime Minister De Gasperi during Mr. De Gasperi's holiday in the mountains and on that occasion would take up with him the matters discussed here.

Italian Elections

First and foremost were the Italian national elections which would take place next spring in April or May. At that time the whole fate of Italy would be in the balance and what would decide the outcome would be what we had done between now and then. He had discussed with Mr. Matthews the question of a close collaboration between the Embassy and the Department in order that things that could be done to help the situation should not be overlooked until the last moment when they would be ineffective. [1] He was also going to take up the matter in Italy and urge a similar close collaboration between the Foreign Office and the American Embassy there. The Secretary said that he was in full agreement that we should bear in mind the importance of these elections and that we should work together as closely as possible for a successful outcome. Mr Tarchiani said that the real danger was Communism and that the Nationalists would also make some inroads, but not as great as in the recent elections in the south.

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Trieste

The Ambassador then referred to Trieste which he described as the most important single factor affecting the outcome of the elections. He said that it was imperative a settlement be reached with Yugoslavia prior to next April. After five years in office since the Tripartite Declaration of March 20, the Government could not afford to come before the electorate with a record of no achievement with regard to Trieste. He produced two maps showing the Italian line during the Bebler-Guidotti conversations [2] and the Yugoslav line. He pointed out that the Italian line represented a serious attempt at an ethnic solution and that the Yugoslav line

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[1] For a record of this earlier meeting between Tarchiani and Matthews, see Document 727.

[2] Documentation on Trieste, including the Bebler-Guidotti conversations, is scheduled for publication in volume VIII.

could not possibly be regarded as a serious effort to negotiate on such a basis.

The Secretary agreed with Ambassador Tarchiani's view but pointed out that the final solution could not be based on Italian insistence on the line that Mr. Tarchiani showed him. We had given considerable study to this question and had felt that there would have to be substantial concessions from the Italian position, maybe as far as to Priano.

The Ambassador said that of course the Italian line did not represent a final view and they were anxious to negotiate towards some such solution as that envisaged by the Secretary. They felt it impossible, however, to get anywhere with the Yugoslavs when Marshal Tito kept attacking them publicly every day and the Yugoslav Government took a consistently adamant position towards any concession whatsoever on their part. Furthermore, the Yugoslavs' demands seemed to become greater rather than less, and they kept insisting that the present time was not propitious to negotiate. The Ambassador said that he really considered in dealing with Yugoslavia we must not think of them in terms of New England, but in terms of the Balkans, and that as long as Tito was able to obtain the military and economic assistance which he desired from us, there would be no possibility of persuading him to be reasonable with regard to Trieste.

The Secretary said that the Yugoslavs felt that we had been partial to the Italians and resented the recent arrangements regarding the Zone A administration. The Secretary then related the developments in London during his conversation with Mr. Eden concerning Trieste and said that we were now studying the matter further with the British with a view to seeing whether we could not now make a further approach to both parties that they should sit down and start negotiating again, emphasizing that the negotiations should be swift and must not bog down as they had before.

The Ambassador reiterated the importance to Italy of this question and repeated that its solution was essential to the forthcoming elections in Italy.

Greek-Yugoslav Staff Talks

The Ambassador then took up the forthcoming Greek-Yugoslav staff talks.[3] He said that regardless of what the Yugoslavs or Greeks might tell us he was sure that they would discuss Albania. Italy was very concerned about this. Albania is only 55 miles from Italy and commands the outlet to the Adriatic Sea. Greece and

[3]Documentation concerning the Greek-Yugoslav staff talks is scheduled for publication in volume VIII.

Yugoslavia might very well make some plan for action in Albania regardless of the danger involved with the the Soviet Union. The other countries of the west might suddenly find themselves faced with a reckless Balkan move in that country. Italy itself considered that any division of Albania between Yugoslavia and Greece would be totally unacceptable and that our policy should always be for an independent Albania.

The Secretary said that we were in full agreement with regard to this. We continued to favor strongly the preservation of Albanian independence and were fully aware of Italy's interest in the matter. We had had no information that the Greeks and Yugoslavs in fact intended to discuss this subject.

Defense Assistance

The Ambassador referred to the recent unfortunate developments in the Italian balance of payments which resulted from reduction of trade between Italy, the United Kingdom and France. The estimates which had gone into making up the Italian figures should be revised and the Italians were in fact in the process of drawing up new figures to present to us. He believed that the reduction of the original $110 million figure of economic assistance for Italy to $77.5 million [4] would represent an unrealistic amount of aid inadequate to sustain the Italian defense effort or to meet the internal economic problems of the Italian Government during the pre-election period. The Secretary said that we were very sympathetic to the Italian postion and were studying it very carefully.

The Ambassador also referred to the political necessity that Italy be included in the first list of countries to receive an allotment of defense support assistance for the Fiscal Year 1953, especially since Yugoslavia, France and the United Kingdom will probably be included.

The Secretary replied that it is not planned to publish a list of such allotments and that pending a final decision on defense support assistance which will follow the NATO Annual Review, allotments will be limited to countries having serious immediate balance of payments difficulties, and countries toward which we have special commitments. In specific cases allotments may also be made to allow orderly and timely procurement of commodities and equipment and we understood that Italy's needs would also be studied by MSA in that connection.

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[4] A memorandum prepared in the Office of Western European Affairs which commented on the proposed reduction in economic assistance to Italy for FY 1953 and which was attached to a memorandum from Ridgway B. Knight to Martin, July 11, is printed as Document 264.

Trade Restrictions

The Italian Ambassador referred to the recent difficulties of Italy in connection with the restrictions placed on cheese and garlic and expressed appreciation for the Department's support in having these restrictions removed. The Secretary affirmed that our opposition to such restrictions remains unchanged.

Immigration

Ambassador Tarchiani expressed the interest of the Italian Government in the Administration's Bill for admission in three years of 300,000 immigrants, one-third of which would be Italians. The Secretary said we shared the Italian opinion on the desirability of this Bill, but that it was a matter that was up to Congress and we should not be optimistic as to its early passage.

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U.S. Claims

At the conclusion of the conversation, the Secretary requested the Ambassador while in Italy to present to his Government's attention the need for further action by the Italian Government in settling the claims of U.S. citizens for war damages under Articles 78 of the Peace Treaty. The Ambassador said that he thought Italian performance was improving and specifically mentioned the recent settlement of the Standard Oil claims. In any event, he said that he would take this up with the appropriate officials in Rome.

No. 732

765.00/9–1852

Memorandum of Conversation, by the Ambassador in Italy (Bunker) [1]

SECRET SELLA VALSUGANO, September 5, 1952.

Participants: Prime Minister Alcide De Gasperi
Ambassador Ellsworth Bunker

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[1] This memorandum of conversation was an enclosure to a letter of Sept. 18 from Bunker to Byington. In the letter Bunker mentioned that he considered inadequate the figure of $80 million of economic aid for Italy for FY 1953 which MSA/W and SRE had been using for illustrative purposes. His opinion was that the figure should be between $110 and $130 million because that amount was "cheap insurance for all that we have put in here and all that we have at stake in this crucial year." In his reply of Oct. 1 Byington stated that Bunker's views on economic aid to Italy for FY 1953 seemed most sound to him and entirely in accord with thinking in the Department of State. He noted, however, that DMS and MSA, unlike the Department of State, were not convinced that the U.S. aid figure, as such, was of great importance in internal Italian politics. (765.00/10–152)

Political

The Prime Minister expressed the opinion that the three minor parties were falling into line on reform of the electoral law. He thought there would be a hard fight in Parliament when the new proposal was brought up, and was seeking a formula which involved as little as possible in the way of amendment of the present law. If this could be done in a few short paragraphs it would be far easier to handle than the presentation of an entirely new law.

To my question about the prospect for a coalition government, the Prime Minister replied that he believed it would not be possible to form a coalition (four party) government before the elections. If it could be achieved in four or five days of negotiation it would be practical, but any long drawn out discussions would be dangerous. Since he felt that a coalition government could not be formed quickly, the practical and wise solution was to form a grouping or alliance of the four parties in a linked system, as in the administrative elections, giving a premium of seats to the majority. He appeared confident that such an alliance could be achieved and felt that reform of the electoral law along the lines indicated was essential. Under a proportional system a paralysis was possible, for should the extremes of left and right together receive a majority, they would be unable, nevertheless, to function as a government.

To my query as to whether he believed the PSDI would be able to compose their differences at the forthcoming convention and would go along in this alliance, he replied in the affirmative. He said that Romita was very anxious to join the government, but he had told him he would have to do penance for having stayed with Nenni for over two years. Parenthetically, he said that Nenni told the Italian Ambassador in Moscow that he (Nenni) had told Stalin that he thought Italy should occupy a neutral position between the east and west. When Stalin asked him how he proposed to achieve this, Nenni replied "by entering into non-aggression pacts with Russia and the U.S.". Stalin answered "that is not a position worthy of a great nation". [2]

The Prime Minister told me that after two weeks' complete rest after first coming to Sella, he had had many conferences with members of the four center parties. I got the distinct impression that he had now decided definitely on his course, i.e., to get agreement of the four parties, to reform the electoral law providing for linked lists and a premium of seats for the majority, and the for-

[2] For a fuller version of the conversation between Nenni and Stalin, see Document 730.

mation of a coalition government after the election (barring the probable formation of one before). He seemed confident that he could put through this program.

The Prime Minister said that he had overtures from the Monarchists who wanted to join with the CD, but that he had rejected these. He had told them that while a monarchy could be democratic, it was now unconstitutional in Italy, and that a plebiscite would be unthinkable in the present state of Italian and world affairs. However, he did not rule out the possiblity of support from individual monarchists. He said that Prince Alliata and others of the Sicilian branch of the party were coming to see him to talk about an alliance. He proposed to tell them that would be impossible in the name of the monarchist party, but that they could support him and the coalition as individuals.

In further stressing the need for the center coalition, the Prime Minister said there were some in the CD party who felt that the party should be more closely allied with the Church. "But", he said, "that is impossible. In the moral life of the country the Church can occupy a chief role, but not in politics. It can say that it approves of a party, but it cannot do more than that. There is too strong a feeling in too large a part of the population which is opposed to the Church in politics to permit it to play more of a role than that."

Trieste

The Prime Minister then asked whether we had had any reply from Tito.[3] I told him that as of then we had not. He expressed some disappointment and again emphasized the desirability of a satisfactory solution before the elections and before attempting ratification of the EDC treaty. I said that I thought that the fact that no reply had been received as yet from Tito might be considered not unfavorable, for our proposal had not been rejected and we might assume it was being given careful consideration.

The Prime Minister said he had been giving thought to a way around disagreements which might arise over an ethnic line. He thought there could be no differences over the greater part of the line but that in some specific cases disagreement might arise, and he wondered whether these could not be solved through a plebiscite. He said that he meant only a local plebiscite of the specific town or community in dispute; a plebiscite for the whole area he thought would not be possible because of the insurmountable difficulty of agreeing on conditions. He felt, on the other hand, that

[3] Documentation on the U.S. approach to Tito on the Trieste issue is scheduled for publication in volume VIII.

agreement for plebiscites on the community level, should it become necessary, ought not to be too difficult, and might eliminate protacted arguments or a stalemate of the negotiations. He said that he thought he might suggest this procedure to Eden if he saw him at Strasbourg, before Eden left for Yugoslavia.

Unemployment and Investment

I referred to the several talks we had had with Minister of the Treasury Pella and other members of the Cabinet including Ministers Campilla, La Malfa and Under-Secretary Dominedo. I repeated in substance what I had said to Minister Pella before his departure for Washington [4] about the necessity for acceleration of the investment program in a broad attack on the unemployment and underemployment problem (Embtel 821, August 25 [5]). I said that it seemed to me that their government finances were sound, and in the absence of inflationary factors, there was little or no risk in running a substantial deficit. This is particularly true since the deficit is all accounted for by investment (the current budget being in balance) which will increase both the GNP and the tax take. I said that I had sensed a certain reluctance on Minister Pella's part to take as bold action as seemed to me to be necessary. I realized fully the need for a stable currency and appreciated the justifiable pride the Minister took in his achievements in this respect, but felt there were now overriding considerations which made it necessary to accelerate their investment programs with the greatest energy. I said that I thought the new Law against Unemployment (No. 949) was excellent; the problem now was to get the money authorized for these and other projects spent with the least delay.

The Prime Minister said that he agreed fully with this point of view. He said he thought that Pella also agreed, but that he (the Prime Minister) was afraid that the money was not being spent as rapidly as necessary, which he ascribed to the cumbersome functioning of the bureaucracy. He said that as soon as Pella returned from the International Monetary Fund Conference, he would take the matter up with him again and impress on him the necessity for cutting through the red tape and speeding up the whole program.

The Prime Minister referred to the talk which Ambassador Draper, Kenney and I had had with Under-Secretary Dominedo on the emigration problem. As he had formerly, he said this was a

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[4] Pella and Minister of Foreign Trade La Malfa spent Aug. 28–29 in Washington en route to a meeting of the International Monetary Fund in Mexico City. A memorandum of their conversation on Aug. 29 with Under Secretary Bruce and other Department of State officials is in Conference files, lot 59 D 95, CF 120. A memorandum of their conversation on Aug. 29 with MSA officials is in file 865.00/8–2952.

[5] Telegram 821 described the substance of an informal discussion Bunker and Parker had with Pella on Aug. 22. (398.13/8–2552)

matter of the greatest importance. I replied that Ambassador Draper had sent a message to my government outlining our suggestions for an approach to the problem, and that we had had a favorable preliminary reaction from Washington. [6]

. . . . . .

The Prime Minister seemed vigorous and in good health and spirits in contrast to the last time I had seen him just before he left on his vacation, when he looked tired and careworn. I got the impression that he had probably resolved a good many things in his mind while on vacation, and had reached decisions on policies, particularly in regard to the political parties. He seemed calm and confident and said that he planned to take up all these various matters actively on his return from Luxembourg and Strasbourg.

[6] In Repto 496 from Paris, Aug. 11, Draper described the conversation which he, Kenney, and Bunker had with Dominedo in Rome on Aug. 7 and submitted their recommendations to alleviate the Italian population problem. These included giving vigorous diplomatic support through various U.S. Embassies and through several international bodies to Italian efforts to increase emigration quotas by at least 100,000 in 1953; the extension by the United States of all possible financial assistance for transportation, initial subsistence, settlement, and other costs for Italian emigration; and a renewed effort by the Executive Branch of the U.S. Government to increase the present Italian quotas for emigration to the United States. (MSA telegram files, lot W 130, "Paris Repto") In airgram 562 to Paris, repeated to Rome, Aug. 30, the Department of State indicated that in view of the seriousness of the forthcoming Italian elections Washington agencies had agreed that the United States should use diplomatic influence behind the scenes to try to secure favorable consideration by the French, Belgian, and U.K. Governments for a more liberalized emigration policy within the OEEC. It also presented specific points to be taken up in this regard in the Embassy's approach to the French Government. (765.00/8-3052)

No. 733

Rome Embassy files, lot 59 F 222, "320.1—Offshore Procurement 1950-1952"

The Ambassador in Italy (Bunker) to the Director for Mutual Security (Harriman) [1]

SECRET ROME, November 12, 1952.

DEAR AVERELL: I would like to call your personal attention to a matter which I regard as vital for American foreign policy in Italy over the next few months.

[1] Transmitted to the Department of State in telegram 2202 from Rome, Nov. 14, which contained the following introductory note: "Personal for Acheson, Lovett, Harriman from Bunker. I am today sending identical letters each of you, copies Draper and Kenney, on subject of importance accelerating placement off-shore procurement contracts". (765.5 MSP/11-1452)

Last summer there were a number of general discussions of the offshore procurement program for fiscal year 1953. At the time Bill Draper and John Kenney came to Rome, [2] they were in general agreement with us on the urgency of starting the program at an early date. In particular, we all realized that offshore procurement, if begun early, could influence the critical Italian elections in the spring.

Our MSA Mission estimated that an offshore procurement program of $300 million would create almost 60,000 jobs during the first year after contract placement and would increase Gross National Product by almost two percent. Properly handled this boost to Italy's economy could have a strong positive influence on the elections. But in order to maximize the political effectiveness of offshore procurement, contracts would have to be placed at least four to six months before the election. Employment effects lag behind contract placement by this much because of the necessary delay before actual production begins and because of further delay before other parts of the economy are stimulated by the indirect impact.

This means that, to be effective, offshore procurement contracts must be let within the next few weeks. However, with four months of this fiscal year gone by we are still lacking most of the authorizations needed to dig into the necessarily complicated and time-consuming job of bid requests, bid submissions, contracting and so forth. I cannot help but express my concern over this delay.

We have recently studied SRE's recommendation for offshore procurement in Europe during this fiscal year and were encouraged to note the very substantial recommendations for Italy. In many cases these recommendations also pertain to those sectors of the Italian economy currently most depressed and most politically sensitive to economic change. Much of this advantage may be lost, however, as regards these critical elections if the program does not proceed promptly.

Specifically, I understand that the only offshore procurement that has thus far been authorized out of fiscal year 1953 funds is for naval vessels. The bulk of the program has still not reached the procurement authorization stage. There are inevitable delays at this end between authorization and actual contracting which make it all the more urgent that the necessary authorizations be issued as soon as possible.

I, of course, realize that there are many other factors which must enter into a decision on this question. I do, however, wish to emphasize the importance which we here attach to an effective use of offshore procurement to achieve our political objectives. I am writ-

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[2] Kenney and Draper visited Rome in late July and early August.

ing to ask your personal interest in this matter. In the light of the overwhelming importance of the forthcoming elections, not only to Italy, but to all of Europe, anything you can do to speed up the normal processes will be tremendously helpful, and I am confident will show us handsome returns. [3]

With kindest personal regards.

Sincerely yours,

ELLSWORTH

[3] In a letter of Dec. 12, Berger informed Bunker, at Harriman's request, that Harriman had raised the question of speeding up OSP procurement in Italy with Foster 2 weeks before and it appeared that action would be taken on the matter in the near future. Berger referred to recent meetings in Washington and telecon talks with SRE during the previous few days to see if any part of the OSP program could be proceeded with immediately. (Rome Embassy files, lot 59 F 222,"320.1—Off Shore Procurement 1950–1952") Harriman's letter to Foster, Dec. 1, is printed *infra*.

No. 734

U/MSC files, lot 59 D 449, "MAP—Italy (FY 1952–1954)"

The Director for Mutual Security (Harriman) to the Deputy Secretary of Defense (Foster) [1]

SECRET WASHINGTON, December 1, 1952.

DEAR BILL: This letter is designed to emphasize the great importance which I attach to the prompt placement of a large volume of offshore procurement contracts in Italy and to express my growing personal concern over our apparent lack of progress in this regard to date.

As I am sure you already appreciate, the early placement of such contracts could have a significant effect on the outcome of the critical national elections which are now scheduled for May 1953. This relationship has been stressed and restressed by everyone concerned—by each of the agencies participating in the Mutual Security Program, by our country team in Rome and, most recently, by Ambassador Bunker in a number of urgent personal communications to Secretary Acheson, Secretary Lovett and myself. [2] It is because of this fact that I am deeply disturbed over my inability to see tangible evidence that the extraordinary measures necessary to effect the prompt placement of these contracts have as yet been taken or are immediately contemplated.

[1] Drafted by Berger, Arth, and Ohly.

[2] Bunker's letter to Harriman, Nov. 12, which he also sent to Acheson and Lovett, is printed *supra*.

I understand that the bulk of the FY 1953 offshore procurement program has already been refined to the individual item level and that it is now possible specifically to identify some $100 to $150 million of items which will almost certainly be procured in Italy. The latter include, I am told, certain naval vessels, aircraft spares and equipment, completed aircraft under the Ismay/Batt aircraft proposal [3] and certain categories of Army ammunition. If this understanding is correct, I would hope that it would also be possible, by prompt and vigorous action, and if necessary by resort to extraordinary procedures, to place contracts, or at least to issue letters of intent, covering a large volume of procurement in Italy by early in the new year—sufficiently early so that the impact thereof can at least begin to be reflected in subcontracts and in employment before the May elections. I think you would agree that this result cannot be accomplished within the limited period available if offshore procurement in Italy is treated routinely as only part of the larger problem of offshore procurement in all of Europe.

I hope that you can give this problem your personal attention and that it will prove possible for the Department of Defense to identify, and to initiate immediate procurement action on, those items in the offshore procurement program on which it is reasonably certain that Italy will be the source. Anything you can do in this regard will be greatly appreciated by me, and I will also be grateful if you can keep me currently advised of the progress which is made.

Sincerely yours,

W. A. HARRIMAN

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[3] The Ismay/Batt proposal was a NATO working group plan formulated in 1951 for the procurement of aircraft and aircraft parts from various European countries. A description of the background of the proposal, particularly as it related to Italy, is in a memorandum from Arth to Ohly, Apr. 28, 1953. (U/MSC files, lot 59 D 449, "MAP—Italy (FY 1952–54)")

No. 735

Rome Embassy files, lot 59 F 222, "320.1—Off Shore Procurement 1950–1952"

The Deputy United States Special Representative in Europe (Anderson) to the Ambassador in Italy (Bunker) [1]

CONFIDENTIAL PARIS, December 11, 1952.

DEAR MR. AMBASSADOR: Your recent cables on the urgency of getting offshore procurement in Italy underway at an early date, as well as your letter to W. Averell Harriman, dated 12 November 1952, [2] on the same subject, have been of prime interest to both Ambassador Draper and myself.

The effective use of offshore procurement to further our political objectives in Italy has loomed large in our thinking here and influenced, to a major degree, our initial recommendations for offshore procurement submitted to Washington. Since the submission of our initial recommendations, the following actions have been taken to hasten administrative procedures on the implementation of the offshore procurement program, particularly as pertains to Italy.

a. On November 13, Mr. Finlay and staff members of SRE met in Rome with you and other members of your Country Team to discuss various phases of Italian OSP. [3] That discussion accented the need for early resolution of the extent to which Italy will share in FY 53 OSP and the importance of letting contracts as soon as possible.

b. Following this conference, SRE recommended to Washington certain procedures whereby Italy might be favored through special negotiations and considerations, particularly in the category of ammunition which represents a large portion of the total money value of the program. We proposed that Italy should receive a minimum of $80 million in ammunition contracts. Our recommendations are now being considered by Washington and the procurement authorities in EUCOM.

c. In the shipbuilding field, the U.S. Navy Bureau of Ships Negotiating Team is now in Italy. During the team's stay, definitive contracts will be drawn up for ships on the FY 52 program and letters of intent for approved construction on the FY 53 program will be finalized. It is anticipated that this work will be concluded by the end of this month. The letters of intent will not only establish a firm FY 53 OSP Naval program in Italy, but will also provide all necessary authority to start immediate construction.

d. In the field of aircraft, you, of course, are aware of our efforts to implement as soon as possible a modified version of the NATO International Staff plan for procurement of fighter-type planes in Europe. [4] Under this plan, Italy would receive some $26 million of

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[1] A notation on the source text indicates that a copy of this letter was also sent to Harriman.

[2] Document 733.

[3] The substance of this discussion was described in telegram 2212 from Rome, Nov. 14. (765.5 MSP/11-1452)

[4] See footnote 3, *supra*.

U.S. funds. Further, SRE has recommended Italy as the most desirable production source for F–84 spare parts.

As you have pointed out in your letter, administrative obstacles to actually getting procurement underway are numerous and time consuming. It is unfortunate that program refinement processes do not permit the effects of our offshore procurement to really be felt until some six months after the beginning of each new fiscal year. It will be, therefore, difficult to completely satisfy the present critical Italian situation by guaranteeing the actual placement of contracts in sufficient time to show results.

I can again assure you that our interest in expediting the program in terms of the problem in Italy are of first priority, and we will do everything possible here to hasten action on the placement of contracts.

Sincerely yours,

FRED L. ANDERSON

No. 736

U/MSC files, lot 59 D 449, "MAP—Italy (FY 1952–1954)"

The Director for Mutual Security (Harriman) to the Deputy Secretary of Defense (Foster) [1]

SECRET [WASHINGTON,] December 23, 1952.

DEAR BILL: I refer to my letter of December 1, 1952 [2] on the subject of offshore procurement in Italy, in which I requested that special attention be given to the problem of effecting early and substantial procurement in Italy in view of the extreme importance attached by responsible U.S. agencies to the favorable effect that such procurement activity could have on the outcome of the forthcoming national elections in Italy. I greatly appreciate the careful and thoughtful attention which you and your staff immediately gave to this question.

The prospects for early contract placement in Italy have been discussed in detail between our representatives, and with those of the military services. On the basis of these discussions, I now believe it would be desirable to establish a firm target for the placement of such contracts.

While I recognize that accelerated contract placement in Italy may result in somewhat higher prices for some items than might

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[1] Copies were sent to the Secretary of State, Wood of MSA, Martin of State, and Berger, Ohly, Schelling, and Wiggins of DMS.

[2] Document 734.

be the case if time permitted full application of competitive bidding processes, I think the risk of such increased cost, if kept within reasonable bounds, must be accepted in view of the importance of U.S. objectives in Italy. Considering the costly and extraordinary measures taken by this Government in connection with the 1948 Italian elections, the possibility of being required to pay somewhat higher costs on a number of offshore procurement contracts seems a small price to pay for measures that may contribute so directly to political stability in Italy.

In view of the foregoing, I request that the Department of Defense take whatever steps are necessary to assure the placement of contracts in Italy by March 1, 1953, to a total value of $150 million out of FY 1953 funds, exclusive of contracts under the special completed aircraft procurement program. I believe this target is feasible within the Defense Department's overall plan for end-item procurement, and I am given to understand that it can be implemented without sacrifice as regards quality, acceptable types, or delivery schedules. At the same time, as I have indicated above, I am aware that reaching this target may require the placement of some contracts at less satisfactory prices than would be obtainable, in the judgment of the procurement officers, if speed were not so important. I accept this possibility, while of course urging that every effort consistent with fulfillment of this target should be made to minimize the cost to MDAP funds of accelerated procurement action.

In setting the foregoing target for March 1, 1953, I hope that the total for this Fiscal Year will in fact be substantially above this figure.

I will appreciate it if you will keep me currently informed of the steps which are taken to meet this target and of procurement action which is initiated or completed. [3]

Sincerely yours,

W. A. HARRIMAN

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[3] For a summary of Foster's reply, see footnote 4, *infra*.

No. 737

765.5 MSP/1-2453: Telegram

The Secretary of State to the Embassy in Italy [1]

SECRET WASHINGTON, January 24, 1953.

Cotel 3003. This is joint Def/State/DMS/MSA msg. Ref: Rome to Dept 2202 rptd info Paris 274, Nov. 14, 1952. [2]

1. Assure you that all here fully appreciate political importance of sizeable OSP program in Italy and, in view imminence of Italian elections, need for early contract placement if maximum political benefits to be derived from program. Action taken here includes fullest agreement Washington agencies on urgency of prompt and effective action in placement maximum possible OSP contracts in Italy; (see letter Harriman to Foster of December 22 [*23*] [3] setting OSP targets and Foster to Harriman reply dated 19 January 53 following cable. [4]); agreement Harriman, Draper, Foster at Munitions Allocation Council Meeting January 8 on modifications target date and on specific courses of action to be followed; [5] and continuing action taken by Defense and Services over last few weeks.

2. Without prejudice to total amount OSP contracts to be placed Italy FY 53, targets have been agreed, exclusive of completed aircraft procurement, as follows: Navy $52 million by March 1; Air Force $8 to $10 million by March 1; Army $88 million (mostly ammunition) by April 1. Directives are being sent through appropriate military channels.

3. As separate measure, Def has instructed Army procurement officers to give OSP in Italy administrative priority in handling of contracts. Def believes this will save 30 to 60 days in letting of contracts since acceptable bids submitted by Italian sources will be processed first. Italy will of course share with other countries in possibilities for further procurement on competitive basis above $150 million goal mentioned above, and administrative priority will continue be given OSP in Italy throughout election period.

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[1] Drafted by Adams and cleared with Ridgway B. Knight, Collins, and Levy-Hauss of State, Kiernan of Defense, Lippincott of MSA, and Arth of DMS, and repeated to the Embassy in Paris, USCINCEUR, USAFE, and to NPO London and USAREUR.

[2] See footnote 1, Document 733.

[3] *Supra.*

[4] In telegram Cotel 3004 to Rome, Jan. 24, Foster's letter to Harriman of Jan. 19 was quoted in full. In the letter Foster summarized the action taken by the Department of Defense on Harriman's request regarding the placement of OSP contracts in Italy by Mar. 1, 1953. The substance of the letter was essentially the same as the discussion in telegram Cotel 3003 regarding the decisions reached by the Department of Defense. (765.5 MSP/1-2453)

[5] Not found in Department of State files.

4. Procurement action to date includes the following:

a. Army—Procurement directives have been issued for $611 million of Army OSP program for Eur. Procurement officers have been instructed to proceed with this procurement and to give adminstrative priority to OSP in Italy. Bids on Army items are being sought initially on competitive basis. Bids due first week in February. Italy expected secure perhaps $10 million contracts this basis. Army expects offer to Italian firms opportunities meet most acceptable bid on enough of remainder of program to bring total Army OSP to $88 million target figure and prepared direct procurement if this necessary achieve goal.

b. Navy—As you aware, Navy BUSHIPS Team signed contract in Italy for approximately $42 million of small naval vessels in December. To meet its goal, Navy will attempt to place $10 million of further contracts by March 1.

c. Air Force—Air Force taking steps to see that placement of aeronautical spares and equipment contracts in Italy amounting $8 to $10 million will be awarded by March 1. Completed aircraft procurement not included above $150 million target.

4. [*sic*] It is our view that there will be little new employment by date of elections directly resulting from placement of OSP contracts in amount of above targets. However, we support your view that maximum feasible OSP constitutes one of actions, of which cumulative effect may be indeed significant, which need be taken meet exigencies Italian situation.

5. In interests of program consider it undesirable to inform Italians of prospective steps regarding implementing OSP Italy. In discussion with Italian officials you should indicate only that U.S. is energetically pursuing OSP contract placement Italy and Eur, and they may expect results near future. However, believe Embassy and/or Italian Government should give extensive publicity to contracts when let.

DULLES

No. 738

Editorial Note

From January 31 to February 1, 1953, Secretary of State John Foster Dulles and Director for Mutual Security Harold E. Stassen visited Rome as part of a 9-day tour of Western Europe. On January 31 Dulles and Stassen met privately with Prime Minister Alcide De Gasperi; the three men later were joined by Ambassador Ellsworth Bunker and other United States Embassy officials and by Italian Minister of the Budget Giuseppe Pella, Minister of Defense Randolfo Pacciardi, and other Italian officials. These conver-

sations were described in telegram 4275 from Paris, February 1, and in Dulles' message to President Eisenhower, also dated February 1. For texts, see volume V, Part 2, pages 1551 and 1553.

No. 739

Secretary's Staff Meetings, lot 63 D 75, "Notes 61-120"

Notes on the Secretary's Staff Meeting, February 10, 1953, 9:30 a.m.

[Extract]

SECRET [WASHINGTON, February 10, 1953.]

. . . . . .

Immigration Legislation Effect on Italian Elections

13. Mr. Linder said that Mr. Draper had proposed that it might be desirable to introduce interim legislation which would improve the atmosphere for the Italian elections by permitting a certain amount of Italian immigration into this country. Mr. Linder suggested that perhaps a Congressional resolution might have the necessary beneficial effects. The Secretary said that he had heard nothing in Rome from Prime Minister De Gasperi on this matter. [1] Mr. Bonbright suggested a cable to Ambassador Bunker requesting his views. The Secretary believed it would be desirable to await word from Bunker or a move from the Italians.

14. Mr Humelsine said that any bill on this subject should be handled with extreme care with prior consultation with Congress since the bargaining power the Department previously had for such legislation was not effective since passage of the McCarran Act. Mr. Morton said the only argument possible to support the presentation of such legislation would be the effect on Italian elections. The Secretary said that it might be possible to submit a bill to let some Italians into this country to create a better atmosphere for the Italian elections, but he believed the fewer measures submitted to Congress designed to affect foreign elections the better. He noted that any such legislation would probably involve amendments with regard to immigrants from other over-populated countries which would necessarily complicate the problem.

15. Mr. Linder said Mr. Draper had suggested, as an alternative, continued U.S. aid to resettle Italians in other countries. This, however, raised the question of the possibility of any real contribution

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[1] Regarding Dulles' visit to Rome, see the editorial note, *supra*.

to economic development in places such as Latin America through immigration of Italian workers. The Secretary said there were indications in the White House that the President had some doubts regarding the efficacy of artificial migration and, therefore, there might not be a great deal of support from the White House for such programs. He said that apparently the President did not have in mind any specific program. [2]

[2] A memorandum from Linder and Bonbright to John Foster Dulles, Feb. 25, recommended, among other things, that the Secretary urge the President to request Congress to pass emergency legislation at an early date authorizing admission into the United States during the following 2 years of 240,000 nonquota immigrants, including 75,000 Italians. (Italian Desk files, lot 56 D 289, "1236—Refugees & DP's")

No. 740

Secretary's Letters, lot 56 D 459, "I–J"

Memorandum of Conversation, by the Chief of Protocol (Simmons)

CONFIDENTIAL WASHINGTON, May 5, 1953.

Subject: Call on the President of the Ambassador of Italy

Participants: The President
The Ambassador of Italy
John F. Simmons, Chief of Protocol

His Excellency Signor Alberto Tarchiani, Ambassador of Italy, called by appointment on the President at 11:30 a. m. today in order to present a fine camera of Italian workmanship. He mentioned his satisfaction at the President's choice of Mrs. Luce as our new Ambassador to Italy and the President expressed approval of her ability. [1]

In the course of the conversation, the Ambassador said that Italy's three greatest problems now are (1) Trieste, (2) emigration of Italians to this country and (3) our tariffs.

[1] On Jan. 20, Ambassador Bunker submitted his letter of resignation to President Eisenhower. On Mar. 2 the President, following Senate confirmation, appointed Clare Boothe Luce as Bunker's successor. A copy of statements made by Department of Defense officials on various military topics concerning Italy at a briefing for Luce on Mar. 11 is in Italian Desk files, lot 58 D 156, "101.04—Position Papers and Policy Statements". Bunker departed Italy on Apr. 3, leaving Durbrow in charge of the Embassy. Luce sailed from New York on Apr. 14 and arrived in Rome on Apr. 22, after a brief stopover in Paris. On Apr. 28, when she called on President Einaudi to present her credentials, she was informed that he was ill but that she should consider herself as having presented her credentials and having been accepted as Ambassador to Italy. She subsequently presented her credentials to Einaudi on May 4. Documentation concerning Bunker's resignation and Luce's appointment is in files 123 Bunker, Ellsworth and 123 Luce, Clare Boothe.

The greatest of these problems, he mentioned, was Trieste. He said that an early and satisfactory solution to this difficult question, especially before the Italian elections next month, would go far to stabilize Europe. He described the Italian electorate as being one-third communist and seven per cent extreme right wing, two difficult elements to deal with. He said that Italy has frequently offered compromise solutions on the Trieste question and that if Marshal Tito would go equally far on his compromise offers the question could be quickly solved. The Italians would not insist on an extreme solution, yet Trieste represented a sacrifice of 700,000 Italian casualties in the First World War.

The Ambassador said that the emigration question is a serious one, too, and has assumed the proportions of a political problem in Italy. The question of our tariffs, he added, is also vital, although not such a contentious one politically.

The President said that he hoped sincerely that a reasonable solution could be found for these problems. He mentioned in particular how important it would be for all concerned if a way out of present difficulties could be found for the Trieste problem.

No. 741

765.00/6-353: Telegram

The Ambassador in Italy (Luce) to the Department of State [1]

CONFIDENTIAL ROME, June 3, 1953--5 p. m.

4981. As campaign draws to close, over-all impression remains lack of sense crisis and excitement—notwithstanding thousands of speeches and walls plastered by posters. One reason is lack of novelty as voter has seen so many campaigns already in postwar era. Not only have posters familiar look, but even gadgets and "novelties" have largely been used before. Another reason is lack of new issues (see Embdes 2509 [2]). Basic issue of Communism was debated in 1948 and again in 1951. Rightist issue dominated 1952 campaign in south. There is also lack of concrete domestic political program of government for future, largely because there is no general agreement on domestic politics within CD party or Center Coalition. Furthermore, changing method of vote-getting by all parties puts emphasis on house-to-house canvassing rather than "singing in piazza". Communists particularly are concentrating on individual

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[1] Also sent to Paris, Bonn, Belgrade, Moscow, London, and the Consulates in Italy.

[2] This despatch, dated May 21, discussed the major issues in the election campaign. (765.00/5-2153)

approach rather than great public splash. Inevitable tendency of individual deputies to fight colleagues in their own list for preference votes rather than fight opposing parties and personalism in general tend to obscure great issues. Campaign dampened by poor weather.

But not all of foregoing damages Center chances. Unspectacular campaign is due in part to earlier organization of Center this year which displaced some of usual last-minute panic and frenzy. Cumulative effect of educating public to vote and hammering at Communist issue have, besides wearing off their novelty, left impression and compulsion which is likely to send voters to polls in turnout of about 90 percent. In past few days Center campaign has perked up slightly with some seepage from politicians to mass voters of realization danger in Center defeat. Government's accomplishments in recovery, stability, public works and reform are strongly before public. Church is helping all it can. Trieste issue has not "caught fire" as instrument Rightist propaganda and government has continuously maintained tactical offensive. MSI has largely failed to fire electorate with passion it needs to maintain its own momentum. If campaign lacks fire, it does for all parties and not just for Center Coalition.

Campaign has not greatly changed outlook for Chamber voting described in Embdes 1823. [3] Of opposition parties Monarchists will probably make greatest gains, perhaps from 1 million in 1951–1952 to neighborhood of 2 million. MSI may gain in north, but lose to Monarchists in south. Leftist parties (including Corbino Front list) will probably not gain substantially. Nenni's separated-list maneuver does not seem to have taken much hold on voters outside Leftist orbit. Parri-Codignola and Cucchi-Magnani splinters will together probably only poll 2 to 3 hundred thousand votes. As for Center, Social Democrats will probably poll about 2 million, notwithstanding Codignola defection. Liberals will probably gain, particularly in north. There will probably be mild CD recovery from 1951–1952 partly because of greater turnout, less blank ballots, fact these are political rather than local elections, and prestige De Gasperi as contrasted to lightweights and shabby alternatives offered by Right. Embassy continues to believe Center parties will out-poll opposition by rather slim margin and obtain premium in Chamber.

In Senate—notwithstanding strong Rightist candidates in south—Center will probably also win majority—at least with help

[3] This despatch, dated Mar. 6, was one of a series of analyses by the Embassy regarding the prospects for the June 7 elections. In it the Embassy stated its belief that the Center coalition could obtain over 50 percent of the vote but that the margin of victory would probably be much less than in 1948. (765.00/3–653)

six Senators-for-life and distortion of voting system which favors CD party. Center majority in Senate will probably be slim, necessitating cohesion, discipline and forbearance by all four Center parties and raising serious problems for domestic policy after elections. In foreign policy, particularly European unification, Center parties are in substantial agreement and problems will not be so difficult.

LUCE

No. 742

Editorial Note

In the June 7 national elections the Center coalition won a clear majority in the Senate but obtained just under 50.1 percent of the vote for the Chamber of Deputies. Therefore, the Center parties failed to receive the 65 percent of the seats in the Chamber they would have under the new electoral law had they won the required majority of the popular vote. A breakdown of the respective parties' strengths in the new Chamber and Senate, based on early unofficial returns, and a brief discussion of possible effects the elections would have on the government of Prime Minister Alcide De Gasperi, are in a memorandum of June 10 from the Director of the Office of Western European Affairs, Homer M. Byington, to the Assistant Secretary of State for European Affairs, Livingston T. Merchant. (Italian Desk files, lot 57 D 56, "Elections (National)") Copies of letters, dated June 16 and June 22, which Ambassador Alberto Tarchiani sent to Deputy Under Secretary of State H. Freeman Matthews giving his views on the elections are in Italian Desk files, lot 58 D 156, "233—Elections (National)".

The domestic political situation in Italy was briefly referred to at the 149th meeting of the National Security Council on June 9. According to that portion of the memorandum of discussion dealing with NSC 153, President Eisenhower said that "if some free world country, such as Italy, were actually to elect a Communist government, he did not see how we could do anything to prevent its exercise of power". For text of the memorandum of discussion of NSC 153 at this meeting, see volume II, Part 1, page 373.

No. 743

765.00/6–1253: Telegram

The Ambassador in Italy (Luce) to the Department of State [1]

SECRET PRIORITY ROME, June 12, 1953—8 p. m.

5112. Italian elections reaffirm fact that Christian Democratic Party (CD) is largest single party in country and thereby represents in Embassy opinion a distinct party victory. CD vote was substantially larger than entire combined left and almost double size of next largest party, the Communist Party. Elections represent at same time distinct setback for De Gasperi's attempt through center coalition accord and electoral law to combine diverse democratic forces to obtain political stability and prevent extremist solutions. Despite pessimistic forecasts on outcome senatorial elections center emerged with majority, but 93.76 percent turnout of voters failed to give center votes required to receive premium in Chamber under electoral law. Decisive factor in elections probably was electoral law on which both extremes focused their attacks against center. Whether premium should have gone to center is still obscured by 1,300,000 contested and invalid ballots which is more than double corresponding figure in 1948. Situation of both national and international urgency surrounding Communist threat which marked 1948 contest completely lacking in this election. Neither extreme of right or left appealed to voters for extremist solutions.

In contrast to 1948 when prospects of increasing US aid helped CD victory atmosphere in this election permeated by sense of decreasing US aid. In addition there is growing feeling that Italy should with a policy reflecting "originality" and having distinctly "Italian" flavor participate to greater extent in decisions affecting Western security organization and acquire greater prestige and more favorable economic arrangements in return for past record of cooperation with West. This is particularly true with respect to Trieste, Yugoslavia, Balkans and Mediterranean area as well as with question of better trading opportunities.

Statistically Italian voters have moved toward left which showed greater increase in percentage of popular vote than did right as compared with 1951–1952 elections. This increase took place in face of repeated predictions by center and right that left had reached peak and demonstrates failure of voters to appreciate implications of extremist solutions and complacency with which they regarded substantive achievements of De Gasperi's government. Increase in

[1] Repeated to Paris, passed to SRE in London and to Moscow. Also sent to Belgrade, Bonn, The Hague, Luxembourg, Brussels, and to Frankfurt for Satterthwaite.

left vote can be explained by contrast between revolutionary implications of Communist activity in 1948 and the present paralyzing effect of Soviet peace offensive as well as Communist electoral tactics of non-violence and systematic attack on corruption and electoral law. Lack of any vital or dramatic international or domestic issue aided both extremes in frustrating rally to center.

Any comparison with previous elections should take into account both increased electorate and special situation existing in 1948. Although for these reasons caution should be used in appraising CD performance compared with previous elections, it is clear that the CD Party is the only force, with which we have previously been working, left intact. The vote of the three small democratic parties dropped from 3,346,000 in 1948 to under 2½ million, a loss of 868,000 or over 25 percent. Their total representation in the Chamber has fallen from 58 to 38 and in the Senate from 19 to 7. The PRI has only five deputies and has disappeared from the Senate. On the other hand, CDs have only dropped from 306 to 262 seats (plus two Volkspartei and one Val d'Aosta seats making 265) in the Chamber and from 131 to 116 (plus two Volkspartei) in the Senate thereby retaining 44.4 percent of Chamber seats and 47.7 percent of Senate seats.

Despite fact that center parties combined have small majority in both Houses it is by no means certain at this moment that a center coalition government will be formed as failure to reach 50 percent plus one hangs heavy over scene and majority might be considered too small to be workable. For past two days press and prominent CD figures in private have been talking in terms of CD minority caretaker government with benevolence of small democratic parties and their support in votes of confidence. Such government would presumably be interim arrangement for few months subject to revision as CD finds bases of more stable solution. Move to bring in at least the more moderate of the 40 Monarchist deputies is not excluded as eventual alternative to democratic coalition formula with or without PSDI and PRI. However, bitter De Gasperi–Lauro post election debate makes straight CD–PNM government unlikely at this stage.

Despite intense activities by all parties to educate voters there was an unusually large number of contested and invalid ballots (about 400,000 more than Embassy estimate of 900,000 see Embdes 2536, May 26 [2]). Minister Interior statement attributes this to "precise instructions imparted by opposition parties" (Communists) to their representatives on polls committees to contest validity of as

[2] Despatch 2536 reported the Embassy's estimates of the size of the valid and invalid vote in the election. (765.00/5–2653)

many center votes as possible. Law provides contested votes not counted in first instance subject to later judicial review. Courts may take considerable period to inspect ballots. Not everyone in government has given up possibility that enough valid center votes can yet be found to put into operation the March 31, 1953 law awarding the premium, but center press points out that total of contested votes (as distinguished from null ballots, blank ballots, null votes) probably not sufficient to turn tide even if most of contested votes are eventually awarded to center. Minister Interior has not yet ascertained number of contested votes now before district courts of appeal. Political maneuvers are proceeding as if final outcome is not in question.

Rise of Cominform left, in both absolute and relative terms, is disturbing. It is also surprise, since it was generally predicted by center and right that any drawing away from center would be toward right. Communist-controlled left has advanced from 8,136,000 (31 percent) in 1948 to 8,545,000 (34 percent) in 1951–1952 to 9,562,000 (35.4 percent) plus Corbino ADN of 120,000 (0.4 percent) or a grand total of 9,682,000 (35.8) in 1953. This is apart from body of voters who support the camp between the left and center sectors, the USI (Cucchi–Magnani) with 225,410 votes (0.8 percent) and the UP (Calamandrei–Cadignola) with 171,000 (0.6 percent). The battle between PSI and PSDI for Socialist votes was clearly resolved in favor of Nenni. Saragat has admitted this publicly.

Election showed that vast financial means and/or a powerful mass organizational base are indispensable to electoral success at this stage in Italian history. Four parties having these attributes were the only ones to display impressive strength as compared with past. PNM's money and Monarchist sentiment at its disposal on this occasion made up for lack of organized mass backing such as that afforded other parties by trade unions, Catholic action, et cetera. Campaign was fought with capillary methods and not in public squares, in contrast to 1948 situation. Election rallies, big-name intellectuals and historical relics were definitely less important than during 1945–1948 period. Vast turnout of votes, contrasted with lack of public enthusiasm during campaign seems proof of intensive organizational work of major parties. Case in point in CDs who drew small crowds but got big vote. No one doubts high efficiency of civic committees in getting out vote.

Tendency for big parties to get bigger and small parties to get smaller is result not only of greater means, mass base, and availability of flanking organizations, but also gravitation of Italian mind to two big conceptions of revolutionary socialism and Christian Democracy and to the as yet vague idea of traditional conserv-

atism of right (which has still to formulate itself systematically), with Social Democracy, liberalism and PRI-type radicalism fading.

Embassy considers that pessimistic view of situation is not warranted by foregoing facts and should not be expressed at this time. De Gasperi and all other center leaders are faced with necessity of making fundamental political decisions concerning organization and orientation of future government. Center leaders are convinced that full cooperation with US and West is in Italian national interest and that they will honestly try to formulate a policy which US can accept as basis for our future relations. Expressions of opinion that De Gasperi and center leaders will not be able to achieve this objective, or that US now questions validity of its present policy, will prejudice them in this fundamental task.

LUCE

No. 744

Luce files, lot 64 F 26, "Correspondence & Miscellaneous 1953"

The Ambassador in Italy (Luce) to the Special Assistant to the President (Jackson)

CONFIDENTIAL ROME, June 18, 1953.

DEAR C. D.: No doubt you remember how I traipsed from big shot to big shot in Washington before I left, pleading for concentrated governmental attention to the then forthcoming Italian elections, and the severe consequences to U.S. policy if they went sour. Well, they didn't go altogether sour, but they certainly curdled a little. They offered no bright omens at all for our NATO policy.

Attached are some personal thoughts I put down on paper last night and sent to Foster.[1] In the billows of reading matter that crash on his desk, all sounding these days the note of crisis and warning, I do not know whether he will have time to read them. But I hope you will. Even more, I hope you will give them (as written—or if that is not possible because of his own schedule, as digested by you) to the President. Much is at stake, and because I am his representative here, I feel it is my duty to inform him why I think so immediately.

And now, a personal matter, for your information, in connection with the election. Our friends here have been a bit disturbed about allegations in the press at home that one of the "principal" reasons why the center coalition did not win over 50% of the vote was a

[1] Luce's letter to the Secretary of State, dated June 19, is summarized in Document 747.

passage in my speech at Milan on May 28th. In some reports we read from home, these remarks were taken out of context and distorted.

What I actually said was: "But if—and I am required in all honesty to say this . . .[2] but if—though it cannot happen—the Italian people should fall unhappy victim to the wiles of totalitarianism, totalitarianism of the right or the left, there would follow—logically and tragically—grave consequences for this intimate and warm cooperation we now enjoy." This is of course a fundamental premise of American policy.

The contention by some American commentators that these remarks adversely affected the outcome of the election is certainly not made in Italy. While certain elements of the Monarchist Party did refer to them in derogatory terms, the only party which really "went to town" on this paragraph was the neo-Fascist party. And it, as you will see in this memo, actually was reduced in strength. Oddly enough, the Communists (possibly as part of their "sweetness and light" campaign, possibly because they feared it would lose them votes if reprinted) made only insignificant reference to these remarks in the electoral campaign. And it is noteworthy that the Prime Minister in two of his campaign speeches referred in rather flattering terms to portions of my Milan speech and expressed general "satisfaction" with it.

There has, in short, been no suggestion among reliable pressmen here that what I said "hurt," and amusingly enough I received today a letter from the Milan Chamber of Commerce to whom the speech was delivered, saying that most of its 600 members approved of it thoroughly, thought it useful to the cause, and hoped I would go on talking.

But so much for that. The outcome of the elections has not made my task any easier. And the deep, *deep* cut in the *foreign service* end of my staff here is going to make it even harder to work effectively in this delicate situation with a new government.

Nevertheless, we will win thru here in Italy—because we must.

I know Harry[3] has updated you already to this point.

With warm good wishes in your own tough struggle—[4]

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[2] Ellipsis in the source text.

[3] Henry B. Luce.

[4] The source text is unsigned.

No. 745

765.00/6–2153: Telegram

The Ambassador in Italy (Luce) to the Department of State

TOP SECRET ROME, June 21, 1953—2 p. m.

5210. For eyes only of President and Secretary of State. [1] Yesterday Prime Minister De Gasperi talked to me alone for one hour about the political situation that now faces him in Italy. Much of the conversation, which I am covering in its entirety in a separate message, [2] concerned the internal political situation. But the points he made about the possible consequences of the election to American foreign policy are so grave and so urgent, I am bringing them without delay to your attention.

Mr. De Gasperi said that apart from the domestic factors involved, the outcome of the election was "a reflex of the European situation." He said that during the long pre-election period the Malenkov peace offensive had been increasingly effective in persuading Italian public opinion that the threat of communistic aggression in Europe had ended with Stalin's death and that peaceful coexistence with Soviet Russia was now becoming possible. He said that Churchill's speech [3] had done incalculable damage in the election by giving vast credence to this impression and that it had also greatly undermined everywhere in Europe the validity and urgency of the whole NATO European defense community and European political community concepts which have been the basis of Christian Democratic foreign policy. He said that Churchill's call for the neutralization of Germany foreshadowed a British policy calculated to collapse all efforts to create a strong united anti-Soviet Europe. During his severe condemnation of Churchill, he said "Churchill himself is younger than his ideas." These, he said, are the ideas of a mid-Victorian British imperialist.

He said "there are only two conservative and reactionary powers in the world today—Great Britain and Soviet Russia." He said that Churchill's indirect attack on the unity of Europe was based on a desire to reduce Europe once again to a collection of small ineffec-

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[1] In transmitting this telegram to the President, the Secretary of State noted in a covering memorandum of June 23, "I think you may find the attached cable from Clare Luce interesting, particularly in reference to our coming Bermuda talks. De Gasperi's strong views on Churchill's role certainly raise some interesting questions. On the Emergency Refugee bill, I will have my Congressional liaison people get in touch with General Parsons." (Eisenhower Library, Eisenhower papers, Whitman file)

[2] A detailed memorandum of Luce's conversation with De Gasperi was attached to a covering letter, dated June 22, from Luce to the Secretary of State. (765.00/6–2253)

[3] See Part 1, Documents 409 and 410.

tual mutually fearful and suspicious nations in order that Great Britain might embark once again on historic balance of power politics by playing the role of mighty mediator between the world and Soviet Russia. He warned that if "la politique de Churchill" persisted and prevailed, it would eventually bring down Adenauer, deliver Germany into the hands of German socialists and neutralists, enhance the same neutralist socialist forces already strong in France and destroy the whole Christian Democratic movement in Europe. All of these things he said he intended to tell Churchill on the occasion of the luncheon they are having together this Tuesday in London.

He said that the success of the policy presently indicated by Churchill must also result in the withdrawal of American forces in Europe and consequently an end of American leadersip in Europe. To Malenkov's peace offensive and Churchill's speech which had helped so greatly to create a climate of opinion favorable to the Communist cause in Italy, he added as a lesser factor the emotional capital the Communists have been able to make of the Rosenberg case, especially since all sections of Italian opinion from the left to right advocated clemency. He also referred briefly to the political capital his entire opposition had long been able to make of America's repeated failure to enact immigration legislation or take world leadership in the problem. He then said that the adverse effect on the election of all these factors was heightened by the curtailment of substantial American direct aid to Italy's economy. He said that in view of Italy's needs and the importance of the outcome of the election "twenty million dollars was very little." He discounted any very favorable effect on the voting public of the substantial sums represented by American military end items and offshore procurement since any public discussion of them necessarily revealed them to be essential war preparation efforts, and in the atmosphere created by Malenkov's peace offensive and Churchill's underwriting of it, this discussion further aggravated Italian anti-war sentiments which in turn helped the Communists.

He then turned to the question of Trieste and here his statements became most emphatic. He said that if the public had not become so fascinated with the attempt to attain or defeat the 50.1 electoral majority, the issue of Trieste would certainly have been the decisive issue of the campaign in which case he might have suffered an even worse setback. He said and repeated several times "Italy may yet be lost on the Trieste question." He said that it would now be more difficult than ever for him to discuss any solution so far proposed by Tito because without a strong majority in the Parliament it would be impossible for him to present to the country an agreement on Trieste that was not clearly favorable to

Italy. He said that the relative weakness of his government once again required him to maintain that his Trieste policy was firmly based on the triparte declarations. He said his government would certainly fall if he accepted a solution which included a corridor that permitted Yugoslavia to construct a Yugoslav port in competition to Trieste. He said that if new elections were consequently precipitated in the present uncertain international situation, Italy might then go Communist. He said that "the Pentagon in its fascination with Yugoslav divisions" had pursued a course that might yet lose Italy without which Yugoslavia could not long be supplied in battle. Here again he touched on British policy which consistently supported Tito and condemned British political elements which he said foolishly imagined that Tito could yet be turned into a West-European style socialist. He then said it was his intention to carry on be it "to my defeat or my death" the foreign policy to which he was by profound personal conviction, internal political necessity and logic of the European situation, committed.

He said that the creation of a "third force" a united Europe was necessary or Europe was doomed to communism. He said that all rumors to the contrary he was now going to form a government of such elements of the center coalition as seemed politically loyal and effective and he would not take in either left or right. He said that he intended this government to be as stable and durable as possible and desired it to be viewed abroad in this light and that the rumors of the formation of an interim or "caretaker" government were being circulated by the Communists who were seeking in advance to destroy party and public confidence in the integrity, strength and stability of the new government in order to precipitate a series of crises and new elections. He did not discount the possibility of the fall of his government and a call for new elections in the months ahead, but he said that if his government falls it must not fall on a domestic issue which would benefit the Communists but on an international question which would decisively and finally test Italian public opinion on the whole question of his policies of Western defense and the integration of Europe.

He then expressed the fervent hope that American policy would take vigorous action in the international questions mentioned above, but particularly he stressed the importance of the United States Government making no policy statements concerning Italy which it could not translate with reasonable speed into concrete action. While expressing understanding and sympathy for the political necessities confronting your administration, he said that the announcement of desirable policies vis-à-vis Italy, especially in the field of aid which were then embarked on a vacillating manner, would increase the present doubt in Italy as to whether the US

Government was strong enough domestically to pursue its own policies but even more importantly he said that any measures advocated in Italy's behalf at high levels if later abandoned would confirm Italian skepticism that such measures were advanced simply in order favorably to manipulate Italian public opinion in times of political crisis—clearly another reference to US's abandonment of the tripartite declaration. He then expressed sincere gratitude for American support, both in the past and during the election.

He said he hoped these thoughts would immediately be brought to your direct attention, and I said they would, and he expressed satisfaction.

LUCE

No. 746

765.00/6-2553: Telegram

The President to the Ambassador in Italy (Luce) [1]

TOP SECRET WASHINGTON, June 25, 1953.

DEAR MRS. AMBASSADOR: Thank you very much for your lucid and informative cable [2] concerning Prime Minister De Gasperi's views. I have long been his admiring friend, and I am grateful to him for speaking so frankly and exhaustively on subjects of the utmost moment to both our countries. I hope that you will inform him of these sentiments, including an expression of my best wishes and personal regard.

I was somewhat astonished to note that he gave strong, even though secondary, importance to the influence of the American Rosenberg case in the Italian elections. I would have thought Italian leaders could have easily shown to their own people that the Rosenberg case was strictly an American domestic affair, that the Italian people could have no knowledge of the enormity of the offense committed by the Rosenbergs nor of the dangers inherent in weak-kneed action with respect to the spy rings established by the

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[1] The text of this letter was transmitted in telegram 4874 to Rome, June 25. In a memorandum of June 23 to John Foster Dulles, Eisenhower asked Dulles to look over a draft reply he had prepared for Luce and, if it met with the Secretary's approval, to have it dispatched. Roderic L. O'Connor, in a memorandum for Whitman of June 24, indicated that only one minor change had been made in Eisenhower's original draft. Part of one sentence in the third paragraph, "We count on early ratification of EDC", had been added by Dulles. (Eisenhower Library, Eisenhower papers, Whitman file)

[2] *Supra.*

Soviets throughout the world. If the individuals involved had been of Italian citizenship or even extraction, I could have understood Italy's sympathetic involvement in the case. But I repeat, it is difficult for me to see how this incident could have achieved a political significance in Italy that even remotely equalled the other factors. Finally, it is the clear fact that the Italian elections were completed before the Rosenberg case was terminated, so again it would appear that the influence of that execution must have been exaggerated in the Prime Minister's mind.

By and large, however, I follow his reasoning and it will be most helpful to us here to have this clear expression of his views. We count on early Italian ratification of EDC, and wherever it is possible and feasible, we shall certainly do our best to cooperate in furthering the solidity of Western Europe and the advancement of NATO.

With personal regard.

DWIGHT D. EISENHOWER

No. 747

765.00/6–1953

Memorandum by Walter K. Scott and Edward G. Platt of the Executive Secretariat to the Secretary of State [1]

CONFIDENTIAL WASHINGTON, June 25, 1953.

Subject: Ambassador Luce's Analysis of the Recent Italian Elections

The attached letter from Ambassador Luce encloses a 17 page analysis of the Italian elections. [2] She suggests that copies of her analysis be made available to Senators Wiley and Ferguson and Speaker Martin if you think it advisable. [3] Your personal reactions would be greatly valued by Mrs. Luce.

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[1] A handwritten notation in the margin reads, "Sec saw 29 June."

[2] Neither printed; in the letter to Dulles, dated June 19, Luce stated that she had drawn from the facts reported in the Embassy's daily telegrams "certain conclusions which I feel I must report to you." Regarding the 17-page analysis, she said, "If this analysis of the lessons of this election is correct, and if we do 'nothing about it,' we risk imperiling our whole policy in Europe." Luce indicated that she had sent a copy of the analysis to the President and asked, if Dulles thought it advisable, that copies also be sent to Senators Wiley and Ferguson and Speaker of the House Martin. Luce also sent a copy of the analysis to Merchant as an attachment to a letter of June 26. (765.00/6–1953)

[3] Martin acknowledged receipt of the analysis and thanked Dulles for having it sent in a letter of July 20. (765.00/7–2053) Ferguson did the same in a letter of July 21. (765.00/7–2153)

Following are the chief points of Mrs. Luce's analysis:

1. The practical results of the elections, while not all that we hoped for are far from disastrous for U.S. policy. However, De Gasperi's margin of control is so fragile and small that he will be hard put to it to prevent his party from splitting in every future major parliamentary decision.

2. America's support of De Gasperi and his acknowledgement thereof, helped him in this election rather than as is generally believed, worked to his disadvantage.

3. The reason the four Center parties failed to attain the 50.1% majority guaranteeing them 65% of the seats, is that the Right and Left ganged-up because they realized this "prize" could only be awarded to the Center; neither fear of Moscow nor need for U.S. aid were as compelling elements as in previous elections; after five years many grievances and complaints have piled up against the party in power.

4. The opposition of the Right made fewer gains than were expected because unlike the Left, it is itself split into two different and differing parties (Fascist and Monarchist). The Monarchist leaders unlike the Fascists, are not basically anti-West in the field of foreign affairs, though they are conservative, even reactionary in domestic policy, which makes it all but impossible for De Gasperi to take them into his government.

5. The Communists made greater gains than expected because domestic issues, poverty, unemployment determined the outcome. Soviet actions removed much of the fear of Russian aggression, and the curtailment of American aid negated two factors which had previously helped to unite most non-Communists behind De Gasperi. At the same time, the Communists pounded home the contradictions of U.S. policy vis-à-vis Italy:

a. Our failure to honor the tripartite declaration on Trieste.

b. Battle Act implementation which precludes Italy from trading "normally" with the Soviet Bloc, coupled with the difficulties in trading with America whereby trade losses incurred under the Battle Act could be offset.

c. Although America preaches Christian policy, the McCarran Bill is exclusive and discriminatory. De Gasperi could not defend this charge and had to ignore it.

d. The U.S. supports Tito on strategic grounds but refuses to support Franco on ideological grounds.

e. America has curtailed aid for "normal and peaceful" aspects of Italian economy, but has stepped up aid for all "military and warlike" efforts.

The Right also used the issues of Tito and Trieste.

6. Mrs. Luce stresses that our task in Italy is becoming more difficult because the Italians are increasingly aware of these three

major contradictions in our policies: Trieste, immigration and trade. If either of the first two issues had been resolved in favor of Italy De Gasperi would have easily gained his 50.1% majority. The third issue, however, will steadily become more of a hazard for the U.S. in Italy. The trend will be to trade with the Communists *sub rosa* at first and later openly. A diplomatic solution to Trieste and a legislative solution to immigration and trade must be found, otherwise our investments in Italy may prove to have been in vain. The great lesson of this election is that Italy is now slowly and steadily moving toward the Kremlin.

7. We must continue to express officially and publicly the correct view—that De Gasperi's party won the battle against Communism, while striving to eradicate the contradictions in our foreign policy which resulted in such a close shave for his party.

No. 748

765.00/6-2953: Circular airgram

The Secretary of State to Certain Diplomatic Offices [1]

SECRET WASHINGTON, June 29, 1953—6:15 p. m.

The Department is concerned over speculation in moderate Italian political circles regarding the possibility that the Nenni Socialist Party or individual Nenni Socialists might be admitted into some future Italian government. [2] Although De Gasperi has ruled out such a possibility for the present, the very fact that it is considered seriously by so many moderates is a cause for concern. The Department believes that the Embassy has been correct in following a negative line in discussing the question with Italian officials and believes that the gravity with which we view such a possibility should be made clear in all our associations with Italians in official and political circles.

It is the Department's view that the inclusion of Nenni Socialists in the government, whether as individuals or as a party, would, in the absence of convincing prior proof of a complete rupture with

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[1] Drafted by William E. Knight and cleared with Merchant and Byington. Sent to Rome and repeated to Moscow, HICOG Bonn, The Hague, Luxembourg, Brussels, and Frankfurt for Satterthwaite.

[2] Following the June 7 elections the leader of the Social Democratic Party, Giuseppe Saragat, called for the formation of a new government which would include members of the Socialist Party or its leader, Pietro Nenni. On June 29, De Gasperi announced the resignation of his government and his intention to attempt to form a new one. A description of the events leading up to the resignation of the De Gasperi government and the Embassy's views on the possible composition of a new government are in telegram 5211 from Rome, June 30. (765.00/6-3053)

the Communist Party, bear the seeds of potential calamity both for Italy itself and for our relations with Italy. Not only would it open the way anew to infiltration of the government by Communist agents, but it would also inevitably have the effect of watering down measures against the Communists and of increasing the long-run danger of Italian neutralism.

The Department is particularly impressed by the point made by De Gasperi's confidential secretary, Paolo Canali, that admission of Nenni Socialists would in all probability result in establishment of a channel through which all Italian secrets, including those pertaining to NATO and US-Italian bilateral relations, might eventually pass to the USSR. The assistance that this would render the latter, not only with regard to purely military matters but also with regard to the USSR's efforts to divide the West and play upon behind-the-scenes differences in the Western alignment, need not be commented upon. The resulting security problem would thenceforth have to be taken into account by us in our consideration of all sensitive aspects of our relations with Italy.

If you concur, you are authorized to express informally to Prime Minister De Gasperi the satisfaction of the Department that he has apparently seen so clearly the danger from the security point of view of bringing Nenni or any of his followers into the government. You may also wish to explain to him our own views as to the extent of the security problem involved and the attention that we would thenceforth have to give to the question in our consideration of all sensitive aspects of our relations with the Italian Government should Nenni Socialists be admitted.

It is the Department's view that the above should be reviewed only upon the basis of clear and incontrovertible evidence, which is thus far completely lacking, of a clean, sincere break of the PSI with the Communists.

The Embassy's comments on the foregoing would be appreciated.[3]

DULLES

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[3]In despatch 83 of July 9, the Counselor of Embassy, Elbridge Durbrow, stated that he and Ambassador Luce had discussed informally with officials of the Italian Foreign Office on July 7 Department views regarding the inclusion of Nenni in any coalition government. He noted, too, that since Luce did not plan to see De Gasperi in the near future, she had discussed the matter with Taviani and Durbrow had discussed it with Ministers Del Balzo and Casardi. Durbrow pointed out that De Gasperi had made it quite clear, even in public statements, that he had no intention of including Nenni or any Nenni-Socialist in a new government. (765.00/7–953)

No. 749

Eisenhower Library, C. D. Jackson papers

The Special Assistant to the President (Jackson) to the Ambassador in Italy (Luce)

WASHINGTON, July 6, 1953.

DEAR CLARE: I think your Italian elections paper [1] is superb. The President has read it and thought it very interesting and extremely well expressed. [2]

Our brief discussion on the subject gave me the opportunity to say, "Mr. President, how is Clare doing?" Answer: "Very well indeed".

Although one has to keep one's fingers crossed until the last T is crossed, I am rather hopeful that the Emergency Immigration Bill will go through in substantially its present form, which, as you know, has a sizeable Italian quota. I am telling you this confidentially because it would not help the negotiations here if any anticipatory yips were heard from your country.

A most serious item is, as you point out, trade—and although the situation is far from hopeless, it is very slow-moving. There is no question as to where the President stands on this matter, but between his stand and the working out of the detail there can be an awful lot of slippages and compromises.

Again, sincerest congratulations on a wonderful job, and needless to say I am always delighted to read such material.

Best to you,

C. D. JACKSON

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[1] Reference is to the memorandum, which Luce attached to her letter of June 18 to Jackson, Document 744. The memorandum on the elections, which she also sent to Dulles as an attachment to a letter of June 19, was summarized in Document 747.

[2] In a memorandum of July 8 to the President, Jackson wrote "Attached is a memorandum from Clare Luce analyzing the Italian elections and current Italian trends. I think it is an excellent job, and if you could find the time, very interesting reading as well." (Eisenhower Library, C. D. Jackson papers)

No. 750

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 157th Meeting of the National Security Council, Thursday, July 30, 1953 [1]

TOP SECRET EYES ONLY

The following were present at the 157th meeting of the National Security Council: The President of the United States, presiding (except for the first part of Item 1, which was presided over by the Vice President); the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director for Mutual Security; the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General; the Secretary of Commerce (for Item 1); the Assistant Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 5); the Federal Civil Defense Administrator (for Item 5); Robert R. Bowie, Department of State (for Item 5); Walter S. DeLany, Office of the Director for Mutual Security (for Item 1); Kenneth R. Hansen, Economic Defense Advisory Committee (for Item 1); the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; C. D. Jackson, Special Assistant to the President; Col. Paul T. Carroll, Acting White House Staff Secretary; the Executive Secretary, NSC; Marion W. Boggs, Coordinator, NSC Planning Board Assistants.

There follows a summary of the discussion at the meeting and the chief points taken.

[Here follows discussion of item 1, economic defense.]

2. Significant World Developments Affecting U.S. Security

The Director of Central Intelligence first briefed the Council on the political situation in Italy. He noted that as a result of the recent elections, a bloc based on the Right Center, mostly Christian Democrats, have a narrow majority in the Italian Chamber of Deputies. The following were important reasons for de Gasperi's fall: (1) The failure of the Christian Democrats to meet the needs of the lower income groups; (2) the Italian electoral law, which had received the name "swindle law" during the campaign; (3) disorganization of the small parties which had formerly supported de Gasperi; (4) increasing discontent among many classes of the population; (5) the Russian peace offensive, which Mr. Churchill uninten-

[1] Drafted by Deputy Executive Secretary Gleason on July 31.

tionally aided by his speech on Tito; (6) the basic anti-clericalism of the Italian people; and (7) uncertainty over American policy.

As to the future, Mr. Dulles thought new elections might be called, as a result of which the Right Center might have a majority, but a very uneasy one.

. . . . . .

The President interposed to say that few people in this country could understand the importance of Trieste to the Italians. The Trieste question aroused emotions in Italy quite out of proportion to our estimate of its importance. It would have helped greatly in the Italian elections if we could have made a firm commitment on Trieste, but this was impossible because of Yugoslavia.

[Here follows discussion of other items.]

No. 751

611.65/8–753: Despatch

The Ambassador in Italy (Luce) to the Department of State

SECRET
No. 357

ROME, August 7, 1953.

Eyes only Secretary of State. With reference to Department telegram, Circr 53 of July 23, 1953, 1900 [1] the following is an analysis of the situation as I see it today:

1) Historically, the foreign policy of modern European nations has always been essentially motivated by self-interest, and guided by expediency. To most Europeans any other motivation seems quixotic, immature, imprudent, and even unpatriotic. This is especially true in Italy—the home of Machiavelli whose wide acceptance as a political thinker has long since made amorality in statecraft highly respectable in the chanceries of Europe.

Most Europeans assume that US foreign policy is similarly motivated by self-interest, and guided by expediency.

2) So long as the self-interests motivating American policy coincide with the self-interests of any European nation, the "motivations" of the policy will not be questioned, and the polemic or the propaganda America uses to further it will seldom be publicly criticised, since by definition, self-interest permits and approves the employment of all useful terms of expression and persuasion.

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[1] See footnote 1, Document 824.

3) Between '46 and '51, American policy by and large coincided with Italian basic self-interest:

(a) Truman policies of Marshall Plan aid and ECA served to rehabilitate the economy, rebuild the devastated country, and succor the stricken citizenry.
(b) Truman NATO policies served to restore the shattered strength of Italian armed forces, and the battered prestige of the Italian State.
(c) American reaction and consequent White House action to meet the menace of Russian power (supreme on the continent at war's end) supported non-communist Italy internally against political absorption, and safeguarded it externally from military absorption by the Soviet Union.
(d) The Truman-inspired 1948 Tripartite Declaration on Trieste made America the protector and ally of Italy against its worst-hated enemy, Tito. This indeed was the *high point* of the convergence of non-communist, Italian self-interest with American foreign policy and thereupon the high point of American popularity.

4) During the post-war period of convergence and coincidence of self-interests there was little criticism—except by the common enemy, the Communists—of American policy, or its mode of expression, often couched in terms of a "crusade" for the preservation of Western Civilization under American leadership. In America, the frequent claim was made at this time that the Democratic Administration was primarily motivated by a concern for the common defense and common welfare that transcended all purely American self-interest, which domestic political commentators often pointed out was the basic premise of "isolationism" identified with Republican policy. This claim of idealistic motivation went unchallenged, since to challenge its validity served no useful purpose in Italy, and not because Italians altogether believed it.

5) For many Europeans, including Italians, a divergence of self-interest began to manifest itself.

(a) When ECA changed to MSA, with its enlarged emphasis on military support to Italy, and its greatly lessened emphasis on aid to the Italian non-military economy.
(b) When the threat of Russian military aggression abated, owing:

(1) to the recrudescence of general European strength; and
(2) to peace gestures from the Kremlin.

(c) When Italy became aware of US "unwillingness to honor the Tripartite Declaration," while giving increasing aid and support to Tito, the Yugoslav, the historic national enemy, and to Tito, the Communist, the avowed "common" ideological enemy.

6) Today, to most Italians, and possibly Europeans, US foreign policy seems:

(a) *Committed to the maintenance of military and political tension between East and West, and consequently to a continued American effort to control and manipulate all vital European national military and political decisions—i.e., military and political intervention.*

(b) Committed to the withdrawal of support to national non-military economy—i.e., economic isolation.

7) Italian self-interest no longer agreeably coincides with present American policy (as Italy views it) for the following reasons:

(a) Italy increasingly believes in the possibility of peaceful co-existence with Soviet Russia, since she believes that the Soviet State is also largely motivated by self-interest. Evidences that peace is to the interest of the USSR are:

(1) The Malenkov peace moves;
(2) Trouble behind the Iron Curtain in the satellite countries, as well as in the Kremlin itself.

8) Many Italians are beginning to believe that peaceful co-existence can best be assured by:

(a) A mild return to historic European balance of power politics. The belief is gaining ground that in the foreseeable future Europe will be sufficiently rearmed by NATO to constitute a real Third Force between the USA and Russia, a free-wheeling role impossible to play if European nations are too deeply integrated militarily with the USA.

Public opinion, reflecting reviving nationalism (always sensitive to "infringement of sovereignty") tends more and more to this point of view.

Italy does not wish to abandon NATO, but she does wish it to be a more responsive instrument to Italian defense concepts, and less of an "American show". All American failures to consult Italy in European defense matters involving Italian interests (the Yugoslav talks, for example) increase this desire, and greatly agitate criticism of USA NATO dominance.

(b) A policy of gradually proffered reciprocal "peace moves" towards Russia in military, political and economic fields—especially in the field of East-West trade.

(c) Getting off the American "ideological bandwagon" as well as the Communist "ideological bandwagon". Italians are increasingly frank in pointing out that neither the American way of life nor the Russian way of life is the Italian way of life—or should be.

9) Italy thinks that not only is the lessening of East-West tension a possibility, but since the end of the Korean war, that it is also a necessity for survival.

Many Italians view the Korean war as a miniature World War III. They note that it resulted in no clear victory, military or political, for either side, non-victorious American and Communist armies withdrawing from a Korea still divided physically and po-

litically. Italy tends to see its fate as the fate of Korea in the event of an actual conflict between the USA and Russia, unless the H-bomb were used freely to achieve a conclusive victory. But a victory in which the H-bomb were used in Italian skies would not be a victory for Italy—it would be the final catastrophe.

10) The rancor and irritation expressed against the US today by many Italian sources spring from an Italian awareness that non-communist Italian leaders are caught in a tough political dilemma, created by consistent American policy vis-à-vis Russia, and Italy's growing desire to co-exist with the USSR.

(a) Pre-election Italian leadership, diplomatically committed up to the hilt to EDC, European Integration and NATO military policies, is also financially obligated to the support of policies which are more and more experienced as political handicaps vis-à-vis the electorate. The budgetary burden these policies represent, no less their consequent "concessions to sovereignty" are hard to defend to a people eager for less "infringement of sovereignty", more distension, more non-partisanship, more East-West trade, and above all, more generous domestic economic programs. And yet, non-communist Italian leadership, however much expediency might suggest it, cannot now wiggle off the NATO hook for the following reasons:

1) NATO is still the safest and best instrument for achieving Italian defense and security;
2) NATO planning and programming is Italy's best, perhaps only reliable source of American dollars;
3) Even the appearance of abandoning EDC and NATO will play into the hands of Italian Communists, as a political victory for the Soviet line;
4) In the event Europe may have "guessed wrong" about Russian intentions, they still want to be able to count on the rapid arrival of American forces, and to fight on the American side.

I venture to suggest the task of shrewd Italian politicians caught in this dilemma of trying to have their defense cake and eat it too, will be to defend the Atlantic Pact, EDC, European Integration policies while stretching out, cutting back, and stalling in achieving concrete goals and results, in order not to stop abruptly the dollar flow, end items, etc., lose American good will, or expose themselves to Communist "I told you so's." Meanwhile they will be especially critical and chary of all agreements involving the charge of "sacrificing sovereignty" (i.e., facilities agreements). And Italian "public opinion" will give increasingly critical vent to its *inherent* skepticism concerning American pronouncements and propaganda efforts which seek to explain US policy in ideological terms of devotion to universal concepts of justice, liberty and human dignity.

11) This skepticism, it must be honestly noted, is given some substance by the following contradictions in a US foreign policy which

claims to be dedicated to the preservation and extension of democratic values:

(a) *The contradiction between America's interventionist military policies and its isolationist economic policies*—

1) US persistent willingness to appropriate billions for a possible *war* effort in Europe, and its increasing unwillingness to appropriate for *peace* efforts.

In Italy this contrast is seen in a 800-million offshore procurement program, as against a begrudging 20-million direct aid to normal or peacetime economy.

2) US discriminatory trade and immigration policies.

(b) The contradiction between America's ideological war against Communism and Totalitarianism, and its support of renegade Communist dictator Tito—the most consistently hated man in Italy—hated by all classes and sections, from the Fascist right straight through the Christian Democratic center to the Communist left.

(c) The contradiction between America's frequent assertion that it stands for moral leadership, and its "refusal" to honor the Tripartite Agreement.

In short, Italian criticism will expose that aspect of American foreign policy which (in Italian eyes) is primarily based on American self-interest (and conflicts with Italian self-interest), contrasting it with professed American idealism in foreign policy, in order to justify the pursuit of Italy's now somewhat diverging policy.

(In passing, Europeans think it politically childish of Americans to expect gratitude from foreign nations for its past support, military or economic. Gratitude is seldom shown even to a nation's own heroes by an electorate—i.e., Churchill's defeat after the war, and De Gasperi's recently.)

Conclusion: [2]

If this analysis is correct, it must follow that the political power of the Christian Democratic parties in Europe, who have been most dominantly and militantly allied with pro-Americanism and Atlantic Pact thinking, will wane. There will then be a rise of the peaceful co-existence, non-partisanship, "moderator" parties—today the left wing non-cominform Socialists. (In the Far East, Nehru has already secured firm leadership of this non-partisanship, "moderator" movement, and Great Britain is eagerly seeking it in Europe.) I see no reversal of this trend unless Russia commits some new act of aggression in an area vital to European interests or security.

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[2] A handwritten notation in the margin here indicates, "Luce Report: Begin Suggested Reading".

The major factors which should be borne in mind by USA policy-makers and administrators in the months ahead is that Italians are beginning to think more abut pasta than guns, and more about national prosperity (especially trade with the satellite countries, Russia and the Far East) than European Integration, more about getting back Trieste than European military cooperation. And I believe that no amount of American propaganda couched in ideological terms will greatly alter this situation.

A realistic line of action would seem to me to be:

(a) US reassessment—strictly in terms of American security—of all NATO force goals in order to fix the absolute minimums we would consider effective within our present strategic concept.
(b) Firm deadlines for the meeting of these requirements. If they are not promptly kept, the US should then be ready to recast American defense plans accordingly.
(c) Settlement of the Trieste question, which was the bottom of much Italian criticism of US policy and greatly adds to Italy's reluctance to follow America's leadership in NATO questions.
(d) Discovery of diplomatic mechanisms to permit the smaller nations (especially Italy) to be more "in" on major military planning and political decisions affecting Europe.
(e) Revision of some of our categories of East-West trade for reasons implicit in the above argument.
(f) A revision of American-West trade policies.
(g) Some extension of direct aid to Italian non-military economy, on a business-like basis.
(h) A revision of our immigration policy, which has been the greatest weapon against the USA in the Italian Communist arsenal. (When the little Italian lost the hope that he might one day go to America to save himself, there was no hope left except the hope that Russia would come to Italy and save him.)

If all, or a part of these things could be accomplished, especially (a), (b) and (c), American popularity would be greatly restored, because there would then again be a greater convergence of Italian self-interest with the goals of American policy.

The change of Administration has, of course, been blamed in Italy for the "economic isolation" aspect of the present policy, which (apart from Trieste) is today the most unpopular one in Italy. It is easy to affix this blame to the Republican Administration, since "isolationism" has been identified with Republicanism since Woodrow Wilson's time. Moreover, American Democrats at home *or abroad* quite naturally do not neglect emphasizing this, thus obscuring the fact that the situation described here has been some years in the making and would have developed much the same, no matter who had been elected.

In concluding, it is to be hoped that the American people can be made to understand that world leadership is *not* a popularity con-

test. In fact world leadership (*vide* 19th century Great Britain) is essentially an unpopular role. America's prestige (*not* to be confused with her popularity) was never higher in Italy, because (a) America's power was never greater, and (b) it is *using* that power to implement a foreign policy to which most thoughtful Italians agree in principle, if not in detail. [3]

CLARE BOOTHE LUCE

[3] In a letter of Aug. 20, to Luce, Merchant wrote that Dulles had personally made available to him despatch 357 and that he had found it "most extraordinarily perceptive and valuable". (Luce files, lot 64 F 26, "Livingston Merchant")

No. 752

Editorial Note

On July 16, Alcide De Gasperi succeeded in forming a new government composed entirely of Christian Democrats. This government, however, resigned on July 28 following a vote of no confidence in the Chamber of Deputies. On August 2 President Luigi Einaudi asked Attilio Piccioni to attempt to form a new government, but he informed the President on August 13 that he was unable to do so. Information regarding the defeat of De Gasperi's government and Piccioni's difficulties in forming a government is in telegram 348 from Rome, July 27 (765.00/7–2753), and telegram 486 from Rome, August 8 (765.00/8–853).

On August 13 President Einaudi turned to the Minister of the Budget in De Gasperi's cabinet, Giuseppe Pella, who formed an entirely Christian Democratic government on August 15. The Pella government was sworn in on August 17 and received votes of confidence in the Senate on August 23 and in the Chamber on August 24. A memorandum from Ridgway B. Knight to Livingston T. Merchant, dated August 17, which provided information and comments on the Pella government, is in file 765.00/8–1753. Pella stated publicly that he considered his government a transitional one and that he would resign by the end of October following Parliamentary approval of the budget. His first weeks in office were dominated by increasing tension with Yugoslavia over Trieste resulting from Italian fears late in August that Yugoslavia intended to annex Zone B and from the announcement by the United States and the United Kingdom on October 8 that they would withdraw their occupation forces and return Zone A to Italy.

No. 753

Luce files, lot 64 F 26, "Letters 1953"

The Ambassador in Italy (Luce) to the President

TOP SECRET EYES ONLY ROME, November 3, 1953.

DEAR MR. PRESIDENT: The attached paper sets forth my own estimate of the Italian political situation, which as you know, is in a state of acute crisis.

It is as briefly presented as this highly complex scene, in which many political forces are operative, will permit.

When you have read it, I think you will agree that it foreshadows events which are bound to have grim and widespread consequences for U.S. Foreign Policy.

I further venture to say that any refutation of this melancholy estimate must be made more on the grounds of faith than political facts.

I am sending, as I think you would want me to, copies of this paper to Foster and Allen Dulles. [1]

[Enclosure]

Memorandum by the Ambassador in Italy (Luce)

TOP SECRET EYES ONLY [ROME, November 3, 1953.]

ESTIMATE OF THE ITALIAN SITUATION

(As of November 1, 1953)

I. The Communist Party leads the only well-organized, well-financed, strongly disciplined, dynamic mass movement in Italy. The Cominform Left (including Nenni Socialists) polled 37% of the vote in the June elections. Its strength is growing steadily. If it gains only 4% more from the Center to Right parties by the next elections (which will take place either in the Spring of '54 or '55), the President of Italy will be required by the Constitution to call upon a Cominform leader (Nenni or Togliatti) to form the next government.

II. The four Center parties are disorganized, discouraged, and disunited.

[1] The source text is unsigned. The copy of the letter which Luce sent to John Foster Dulles, along with a brief covering letter, dated Nov. 3, is in file 765.00/11-353.

(a) The three smaller parties (Republicans, Liberals, Saragat Socialists, 9.1%) are discredited, divided internally, without firm leadership, coherent policies or sufficient funds.

(b) The Christian Democratic Party itself (40.1%) is at present two million four hundred thousand dollars in debt, and cannot find the funds to float it off the rocks, no less to put it back in business. Worst of all, the CD Party lacks any program to present to the people.

(c) The Pella government can fall at any time. It is, by its own definition, a "transition government." As presently consituted, if it is not dead, it is dormant. Only the pressures converging on it from Left and Right keep it standing on its feet.

III. The Monarchist Party (6.9%) is conservative, if not reactionary. It seeks popularity and power, but its program is essentially constructed to protect the interests of the land holders and industrialists, and has no appeal to the masses apart from its sentimental championship of the exiled monarchy. It is fairly well heeled. Its tendency is towards a more authoritarian government: there are elements in the Party that will go for Dictatorship as well as Monarchy.

IV. The Fascist Party (the MSI, 5.8%) is anti-American, isolationist, nationalisitic, currently ineffectual, but in view of the steady rise of the Left and the slow deterioration of the Democratic Center parties—opportunistically hopeful.

V. *All the evidence points to the fact that if rigorous political action is not taken by the non-Communist opposition, within two years Italy will be the first Western Democratic nation, by legal democratic procedures, to get a Communist government.*

(a) In this event one of the following conditions will come about:

(1) The "neutralization" of Italy in the struggle between Russia and the West. (The Nenni solution)

(2) A Communist *coup d'état* (as in Czechoslovakia) putting Italy solidly within the Kremlin orbit. (The Togliatti solution)

(3) The renascence of a Dictatorship of the Right, based on force. And/or

(4) Efforts to retore the Monarchy

(5) Any of the above conditions, encountering organized resistance may result in civil war in Italy.

VI. There are only four possible alternatives to Communism in Italy today:

(a) The successful reconstruction and reorganization of the Center parties and their programs.

(b) The successful restoration of the Monarchy.

(c) A successful Dictatorship of the Right.

(d) A combination of (b) and (c).

VII. I assume that Alternative (a) is the only one compatible with both US political ideology and US foreign policies. It has small chance of success, however, without vigorous American support. *And, in my opinion, even with that support its chances are not much more than even.*

VIII. American support to Alternative (a) should be envisaged essentially as urgent *delaying action* to give the Center parties time to reform their ranks, regain prestige, and initiate vote-getting programs.

. . . . . .

(1) In view of the poor physical resources of Italy and its presently insoluble overpopulation-unemployment problem, *no democratic economic measures which the present government could take,* short of bankruptcy, can be counted on to stop the growth of the Cominform Left. The Left simply takes (and gets) the political credit for them, and then raises the economic ante beyond the government's means to meet it.

(2) No overt economic measures which the US Congress can take—unless the sums are vast—can long delay it, either.

Since 1945, more than three billion dollars of US aid have gone to Italy. This overt aid has rehabilitated Italy, but it has not stopped the march of Communism.

(3) Delaying and supporting US political actions which would help most to halt the political appeal of Communism and strengthen the Center parties are, in the order of their importance:

(a) the implementation (partial or complete) of the October 8th decision on Trieste;
(b) US world leadership in worldwide measures to solve the overpopulation problem;
(c) stabilization of world currencies;
(d) opening of US and other markets to Italian trade.

(4) Our proposal to resolve the Trieste question to Italy's satisfaction was envisaged from the first as the most effective delaying and supporting action we could now take to strengthen pro-Western Italian political elements and to forward US foreign policies. It was intended to give Pella successful leadership of a nationalistic issue that transcends all other issues in Italy in popularity.

When the October 8th decision was first announced, it promised to achieve these objectives. It united the people behind Pella's leadership, partially restored the prestige of the CD Party, promised to stabilize Pella's government for at least a year, greatly improved US-Ital relations and the chances of furthering our EDC, NATO, and Facilities programs.

US–UK delay in implementing the October 8th decision (the transfer, partial or complete, of Zone A to Italy) now threatens to destroy all these calculated effects of this delaying action.

The Trieste issue has begun to backfire on Pella. There is a growing suspicion in Italy that the US–UK mean to weasel, or backtrack on the October 8th decision (as they did on the 1948 Declaration) in order to "save the face" of Communist Tito, Dictator of Italy's historic enemy, Yugoslavia.

CONCLUSIONS

A. The implementation—partial or complete—of the October 8th decision is the only immediate political act we can effectively take in support of the Democratic Center government in Italy. If the US and UK renege on the October 8th decision, or chisel or stall too long in implementing it, Pella's government will crumble, the prestige of the CD Party may be damaged beyond repair, and US world leadership in Italy will be repudiated.

B. If the CD government falls on the Trieste issue, the other delaying political acts which America could take (US leadership of a world plan for emigration measures, stabilization of currency, opening of our markets to Italian trade) will come too late (assuming that they come at all) to save Italy from Communism.

C. *The successful solution of Trieste is not in itself a cure-all to the Italian political situation.* . . .

. . . . . .

No. 754

Luce files, lot 64 F 26, "Letters 1953"

The President to the Ambassador in Italy (Luce) [1]

TOP SECRET WASHINGTON, November 7, 1953.

DEAR MRS. LUCE: Almost the entire story of the potentialities of the Italian situation is clearly stated in your first paragraph [2] in

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[1] President Eisenhower attached a copy of this letter to a memorandum to Under Secretary of State Smith, dated Nov. 7, in which he stated, "as you can see, this unnecessarily long letter to Mrs. Luce has really one purpose. That purpose is to get over to her in roundabout fashion that it would be a good thing to analyze and specify what Italy could do for herself as well as to point out what we must do in the situation. I think it would be wrong to try to get such a thing done by direct instruction, but I would hope that she would get the point in this letter. However, if you disagree—just let me know and I shall probably burn the letter". A handwritten notation in the margin of the memorandum indicates, "Mr. Merchant Sent. W.B.S." (765.00/11-753)

[2] Reference is to the memorandum printed as an enclosure to a letter from Luce to President Eisenhower, *supra*.

the sentence, "If it (the Cominform Left) gains only 4% more from the Center to Right parties by the next elections, the President of Italy will be required by the Constitution to call upon a Cominform leader to form the next government." Consequently, I jump immediately to your Section VIII.

. . . . . .

Going on to other things that you feel the United States can do to delay the encroachment of Communism, I assure you first that, so far as I know, we have no intention of weaseling on our October eighth decision on Trieste. Because there were some unexpected reactions, there has been a corresponding amount of delay, coupled with some confusion, in trying to get things on the rails again. Specifically, we did not expect the enthusiastic official and public reaction from the Italian side. This unquestionably made Tito feel that he had to react adversely and much more vehemently than he otherwise would have. But whether or not the Italian attitude affected him, a situation has been created where we must observe sufficient caution that we do not almost force Italy and Yugoslavia into even deeper trouble in order to save face on one or both sides. However, I think the State Department is moving as rapidly as it can to correct the current situation.

It is difficult for me to discern how the United States can take "decisive leadership in worldwide measures to solve the over-population problem." As I see it, there are only two approaches. The first is to distribute better the population that now exists, and the second is to encourage birth control in those areas where economic levels will not support current birth rates.

The second of these runs instantly into important religious objection, especially on the part of the Catholic Church; while the first presents a solution that can be only gradually effective.

So far as this government is concerned, we fought through the entire Congressional session last year to obtain authority for admitting additional immigrants on an emergency basis during the next two years. [3] While we were largely successful, the bitterness of the fight and the restrictive amendments added to the original bill indicate that the United States itself will not *measureably* increase, over a period of time, its established normal quotas for immigrants.

In many other countries where natural resources are ample and the area is under-populated, physical conditions are such as to frighten prospective immigrants. Only some months ago a group of Italian immigrants in Brazil—or some other South American coun-

[3] On Aug. 7, President Eisenhower signed into law the Refugee Relief Act, which permitted the entry into the United States of 214,000 aliens over a 2-year period.

try—insisted on returning to their own country because the areas in which they were settled did not have modern utilities, roads, and services for "civilized" living. (Shades of our pioneer ancestors!)

There is another comment to be made with respect to projects for relieving population pressures through emigration. I recently read that there is no single modern instance in which the population of any country—other than Ireland—was ever diminished by this means. While I cannot vouch for the accuracy of this statement, it is clear that if real relief from its over-population problems is to be obtained for a country such as Italy, there must leave its shores in one year not only a number equivalent to the expected natural increase but, in addition, make a dent in the current surplus. Without reciting all the difficulties in the way of such large movements, it still seems clear that the salutary effect, if any, would be most gradually felt.

As to the stabilization of world currencies and the liberalization of trade polices throughout the world, these will be major efforts of the United States in the coming months. Again, of course, results will not be spectacular; even if we are successful in having enacted in the law some of the measures that we believe desirable, the effect for a time will be more psychological than material.

In a way it seems odd that of all the countries in which we have been opposing Communism, we have had less success in Italy than in any other. The entire area of Western Europe, including Italy, has experienced a great rise in economic activity during the last few years and a great part of this result has come about because of American help. Yet every new report from Italy bears evidence of an increasing resentment against us and increased respect for the Soviets. This I suspect comes about because in the average mind the American is rich, pampered, spoiled, and, in spite of all his advantages, is socially and culturally little better than a barbarian. Some of this kind of criticizing—at least as applied to isolated cases—may be accurate, and for this we can only have regret and a hope that the populations that think themselves wiser and more sophisticated will get things in better perspective. But the constant complaints from abroad of the *failure* of the United States to cooperate and of its lack of understanding give to our people, who feel that after all they have been rather generous, an added excuse for embracing isolationism.

So while I accept in its general sense your argument that the United States must give to Italy increased concern and interest—to say nothing of money—I believe also that a great burden of responsibility rests upon the leaders in those countries. Just as we here have to precede every projected action with a long campaign of information and education, so must they try to *mold public opinion*

instead of merely pleading existing public opinion as an excuse for inaction.

You are quite right in your assumption that we want accurate, truthful, unvarnished opinion and fact reflected in Ambassadorial reports. But in addition to information as to the material, moral, and political assistance that we should give . . . , it would also be useful to know what kind of pressure we should put on these governments to do something themselves. [4]

Sincerely,

DWIGHT D. EISENHOWER

[4] A handwritten postscript reads as follows: "With all the best to Harry [Henry B. Luce]—you are really going good according to all the travellers. DE"

No. 755

Italian-Austrian Desk files, lot 58 D 243, "Policy Debates—Winter 1953-1954"

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Assistant Secretary of State for European Affairs (Merchant)

TOP SECRET [WASHINGTON,] November 12, 1953.

Subject: Commentary on the "Estimate of the Italian Situation" (as of November 1, 1953) Prepared by the American Ambassador in Rome. [1]

Sections I through VII of Ambassador Luce's estimate outline the current drift toward Communism in Italy and the probability that unless vigorous political action is taken by the non-Communist opposition, within two years, Italy will be the first Western democratic nation, by legal democratic procedures, to get a Communist government.

It appears to me that Mrs. Luce's analysis in these first paragraphs gives a very good portrayal of the real danger of Communism that exists in the present Italian political situation. I would agree completely that if normal democratic processes are followed there is in fact the danger that we shall find in Italy a government which will include Nenni or Togliatti, or both. There might well follow a Communist take-over from within. Whether this might or might not happen within two years is open to doubt.

I do not believe, however, there is sufficient emphasis on the fact that, as Mrs. Luce points out, the maximum Communist potentiali-

[1] Ambassador Luce's paper was an enclosure to her letter to President Eisenhower, Document 753.

ty in the polls may be somewhere in the neighborhood of 41 per cent. This leaves some 59 per cent of Italians on the other side of the fence. These non-Communist Italians, while unable at present to get together successfully on a political program, are nevertheless strongly, and in many cases bitterly, anti-Communist. As the Communist danger becomes more apparent it is my opinion that the opposition of this 59 per cent will become stronger and will tend to coalesce in favor of a more authoritative form of government which can deal drastically with Communist tactics in a way that is beyond the power of the present form of government in Italy limited to Italian democratic processes. The 59 per cent non-Communists of Italy include, except for the small body of trained leaders among the Communists, the overwhelming mass of better educated and more intelligent and energetic Italians. This non-Communist group includes practically all of the police and practically all of the Italian armed forces. It includes the vast majority of highly skilled workers and the bourgeoisie as well as most of the professional classes. Although in numbers the balance is fairly even, in actual strength the non-Communists have an overwhelming advantage.

I very much doubt whether these groups will wait for a Communist victory at the polls or if there should be a Communist victory at the polls will remain passive until they are ground down under the Communist totalitarian machine. The prospect of a Rightist dictatorship as the only alternative to Communism would, in my opinion, meet with their preference. I would envisage therefore rather than Communism more likelihood of a Rightist authoritarian regime emerging from a chaotic Italian situation. In fact, non-Communist Italians will become ripe for such a development as the danger of Communist control becomes more evident.

I certainly agree with Mrs. Luce's estimate that successful reconstruction and reorganization of the center parties and their programs is the only development in Italy compatible with "both U.S. political ideology and U.S. foreign policies". I also agree with Mrs. Luce's estimate that . . . the center parties' chances are not much more than even.

In paragraph VIII Mrs. Luce outlines methods of assisting the center parties. These are sound and would unquestionably be of decisive influence if they could all be used. They depend, however, to a certain extent on many factors outside U.S. control. How quickly we can achieve US–UK agreement on implementation (partial or complete) of the October 8 decision on Trieste is not a matter that depends only on us. Likewise the problem of over-population, stabilization of world currency and the opening of U.S. and other markets to Italian trade depend on many developments not under the control of the Administration. I would agree that we should sup-

port all of these measures, but it would, in my opinion, be unrealistic to count on success in all these fields. Therefore we must necessarily consider now what we can do immediately to encourage the democratic elements in Italy to stand up for themselves.

As regards current issues the Ambassador certainly is correct in her conclusion that failure to implement either partially or completely the October 8 decision will result in the fall of the present Pella Government. We must work our way through this matter successfully or face serious consequences not only in Italy, but to our entire European policy.

. . . . . .

No. 756

Luce files, lot 64 F 26, "Letters 1953"

The Secretary of State to the Ambassador in Italy (Luce)

TOP SECRET WASHINGTON, November 19, 1953.

DEAR CLARE: Thank you very much for your note of November 3 enclosing a copy of your paper on the Italian situation which you have sent to the President. [1] I understand that the President has already written you his reaction. [2] For my part I want you to know that your views have been under study in the Department and will be given very full attention.

I believe all of us here agree entirely with you that a settlement of the Trieste question is indispensable to the survival of the Pella government in Italy. I have devoted a great deal of time and thought to this problem and you will have read summaries of my numerous conversations with the British, French, the Yugoslav Foreign Minister and Ambassador and with the Italian Ambassador here.[3] I am confident that we shall see our way through this successfully. You can count upon strong support from me and from the Department in the fine work you are doing in Rome to help resolve the impasse that has arisen.

With reference to the balance of the analysis in your paper I shall ask Mr. Merchant to write you further after there has been additional study . . . with regard to your recommendations.

Sincerely yours,

FOSTER

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[1] Document 753.

[2] Document 754.

[3] Documentation on these conversations is scheduled for publication in volume VIII.

No. 757

765.00/11–3053: Despatch

The Ambassador in Italy (Luce) to the Department of State

SECRET ROME, November 30, 1953.

No. 1164

Subject: Memorandum of conversation between the Ambassador and Mario Scelba on November 27, 1953

Last night [1] I had a talk with Scelba, ex-Minister of the Interior, and asked him what the CD Party had decided to do about the "news" about the recount of the contested ballots. He replied that all the ballots had not yet been counted, and until they had been the results remained uncertain and it would take a long time to count them. I said we already knew that on the recount, up to now, they were 300,000 ahead. He replied that all that could be claimed now or for that matter later was a "moral victory," which it would do no good to claim, as the results could not be made effective unless all parties consented and that this consent could never be obtained from the present parliament. I then suggested that the announcement of even a "moral victory" would be helpful. At first he did not think so, then later he said that in fact he intended to claim a moral victory "for the sake of my own conscience" when the Bill for the repeal of the electoral law was debated on the Floor. I said it was discouraging to think that the CD Party was so weak it could not profit by its own victory. He laughed that one off. I then asked him how he estimated the situation about the increase of the pro-Cominform Left. He replied that the growth of the left was "not a matter of grave concern" as there was a "safe anti-Communist majority in the parliament." I replied that there was such a majority if one lumped all the parliamentary forces right of Nenni together, but that this mathematical lumping could not be effectively translated into political action, or for purposes of legislation, since there was no political cohesion, no real coalition, among these "anti-Communist" groups, and that until an effective coalition could be made, or a majority achieved by the CD, there was reason to be concerned, since the C.P. could then exercise in many matters, the balance of power. He said that this was true, but that the

[1] Luce apparently drafted this memorandum of conversation on Nov. 28.

Communists "could always be held if it should ever become necessary." The time had not yet come when it was really necessary, and in any event it was politically dangerous to attack the Communists until "one is prepared to make the attack a total attack," as this would only produce a reaction favorable to the Left. He said "a lot of things would have to change," and the Center would have to grow much stronger before it would be safe to make the attack. I found it absolutely impossible, altho' I tried to pin him down with innumerable questions, to get him to suggest any situation in which "the total attack" would be safe. (i.e., they had not attacked in '51 and '52 because they thought the C.P. was growing weaker. Now they could not attack because it was growing stronger, etc.) The essential consideration was a stable government. Pella's Government was not stable—because of the Trieste question. On the other hand, it had been stabilized—by the Trieste question. Here, he said that the Oct 8 decision had "definitely come too late." He had personally informed Eden in January that if something were done about the question, de Gasperi could easily have won the elections. Now the Government would have to have a "victoire eclatante" on the question. He defined this as the solution that Dulles had presented when he was in Rome in the Spring. Now you could not make predictions about Pella's Government as it could fall on the Trieste question next year, even in January. He would not answer who might take Pella's place—"there are many good men in the Party." Even if Pella fell, new elections were impossible without real satisfaction of the Trieste question because the Left would then win. I reminded him that he had said initially there was a "safe majority against the Left," if things ever got close, and he said there would be no need anyway for elections if Pella got a victory on Trieste, because he could make hay on this issue for many months. He said the US was too concerned about communism—"Italians have many resources," "there was nothing to worry about" (except Trieste), "Italian democracy will survive," etc. I then told him that public opinion was getting discouraged about Italy's inability either to pass EDC, etc. or to handle the Communist question, and he said we should continue as we had in the past to help Italy and to trust the Center and support it, because although it was weak just now, it was still potentially very strong.

He spoke with placating good humor, but he was consistently evasive, on the score of whether the CD Party would move Left or Right if Pella fell, always giving the strength of the C.P. as an excuse for everything the Government could not do, while firmly insisting the C.P. was not at all to be feared.

In closing, he said that he did not think for a minute that the US would desert Italian democracy. This would bring about the very

thing we feared—turn of Italy towards the C.P. He repeated we should continue to trust and aid, and Italian democracy would handle the Communist problem in its own way.

A most baffling, futile and disconcerting conversation. However, it left me with the firm impression Signor Scelba had no real emotions or convictions on the score of Communism. And was concerned largely with one thing: being, if possible, in a position to survive, if necessary, in either camp.

CLARE BOOTHE LUCE

No. 758

765.00/12-2253

The Ambassador in Italy (Luce) to the Supreme Allied Commander, Europe (Gruenther) [1]

TOP SECRET NOFORN [ROME,] December 11, 1953.

DEAR GENERAL: Not the least of the President's great foreign policy objectives is the peaceful liberation of Central Europe from Soviet domination. We all know that will take time. But it would indeed be a scandal—a very tragic scandal—if long before that objective could be achieved Italy, a great Western European nation should, by peaceful and "democratic legal procedures" slip behind the Iron Curtain, thus becoming the first *NATO member* candidate for liberation.

The plain hard fact is that if there is not soon a reversal of the present trend of the voters towards Communism (especially the young voters of military age) in a few years Italy will be a satellite of Soviet Russia.

I know that you are aware that the Communist vote, the Communist influence, the Communist grip on all Italian institutions has been slowly but steadily increasing here. But, as Supreme Commander of the Allied Powers, you must be especially concerned to realize that we are now reaching the danger point in Italy—the po-

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[1] Copies of this letter were sent to Secretary of Defense Wilson and Assistant Secretary of Defense Nash. A copy of this letter was also transmitted by Nash to Merchant as an attachment to a memorandum of Dec. 23. (765.00/12-2353) Also attached to Nash's memorandum was a memorandum by Maj. Gen. G. C. Stewart to Nash, dated Dec. 16, in which Stewart described a conversation he had on Dec. 7 in Rome with Luce, in which she expressed many of the same ideas as in this letter, and a memorandum of conversation between Nash and Maj. Gen. James G. Christiansen in Paris on Dec. 15, in which Nash queried Christiansen regarding Luce's views on the Communist situation in Italy. (765.00/12-2353)

litical point-of-no-return for Democracy. The military potential of Italy is in danger of ceasing to be secure for the NATO Powers.

It appears obvious to us here that if this trend is not reversed and the "balloon goes up" during the next few years, Italy, with its vast and still increasing numbers of Communists who exercise great influence if not complete control of vital sections of the nation's life, such as Communications, Press, and Transportation and Industry, will have severe difficulties in fighting on our side.

I repeat, if this situation is not changed, in the event of hostilities with Russia within the next few years, we can at worst expect civil war here, or at best a defense force cruelly hamstrung by its need to dissipate most of its efforts guarding its Communications.

Should a Communist government come into peacetime power with a *coup d'état*, as it did in Czechoslovakia, it is highly likely that the armed forces would support it, because there would not then exist any other "democratic alternative."

There is a tendency on the part of the average Italian (and American) to discount the Communist vote as merely the "little man's" expression of dissatisfaction concerning economic conditions and the failures of his present Government. Both we and the Italians have constantly tried to reassure ourselves that the 37% of the people who voted for the Kremlin Left in this election are not to be identified with "hard-core" Communism, or considered loyal followers of the C.P. apparatus. This dangerous underestimation and oversimplification has already led to too much wishful thinking, lethargy and indifference. Communism continues to thrive, and will continue to do so as long as the government here takes no action, and Italians go on "enjoying Malenkov's lulling climate of "distensione" and peace talks.

Even after we have considered all the relevant, political arguments, excuses and reasons (including Trieste) given by the Government here for not taking action against the mounting strength of the Left, we know that the Government has been complacent. Indeed, we must believe this is so, because if the Government had done all it could do and Communism still could not be stopped, we would then have to face the brutal fact that Italy is probably lost.

But the Italians, I dare believe, can stop it themselves, especially with a few assists from the USA, and—the reason for this letter—from NATO.

I have learned here from Italian Government sources, as well as from our own people, that there have been several attempts to bring the problem of Communism in the NATO countries before the North Atlantic Treaty Organization. The Danes, I am told, made one such attempt in the Spring of 1952. The position of the

U.S. at that time was that it was unwise for the North Atlantic Council to deal with the problem of Communism.

. . . . . .

At that time, the Italian Government representatives also considered that NATO action in this area of political warfare should be an integral part of its activities.

Subsequently, the former Italian Prime Minister, de Gasperi, also endeavored to obtain action in this field at the NATO meeting in the Spring of 1953. In fact, he made a strong statement before the North Atlantic Council with respect to the need for common action and decisions in dealing with the Communist problem. Mr. de Gasperi has indicated to members of my staff in the past that he felt that NATO action would be most useful because it would lay a foundation upon which the Italian Government could take action against a Communist apparatus without being charged with attacking legal party institutions in Italy for partisan political reasons. But no action was taken on this because of the opposition of the British, the U.S. concurring.

Whatever Italy's unwillingness to face Communist facts in other fields, it is definitely true that they have endeavored to obtain NATO support and pressure for action against Communism in NATO fields. The Government therefore has a case when they say to me that if NATO is satisfied with a Communist-infiltrated LOC, why should we complain, at an Embassy level, that they do not take strong steps to combat Communism domestically.

I cannot help but feel that the time has now come (if indeed it is not overdue) for NATO to take the lead in urging the governments to put their houses in order by actively opposing their Communist parties.

I would therefore be greatly interested to learn from you what prevents NATO policy from expressing the strong view to the Italian Government that it must take active measures drastically to reduce the threat of Communism— . . . .

Italy, under an American Supreme Commander, is building up an army with the aid of hundreds of millions of American dollars. I do not need to tell you the appalling shock it will be to Americans if, in the course of the next two or three years, that Army should then either be immobilized by "neutrality", disorganized by civil strife, or swung forcefully in behind the forces of the Kremlin.

I shall be most grateful to you for any thoughts or recommendations you might consider useful in dispelling this haunting and unhappy concern of our Embassy.

With cordial personal regards,

CLARE BOOTHE LUCE

No. 759

765.00/12-2253

The Supreme Allied Commander, Europe (Gruenther) to the Ambassador in Italy (Luce)

SECRET [PARIS,] December 18, 1953.

DEAR MRS. LUCE: After receiving your letter of December 11, [1] I discussed the problem, outlined in it, with Secretary Dulles, Secretary Wilson, Mr. Nash, and General Christiansen. I also took the liberty of giving a copy of your letter to Mr. Dulles. Today, Mr. Tracy Voorhees informed me that he will see you in Rome early next week in connection with some of the off-shore procurement aspects. [2]

Secretary Dulles told me that he was going to mention the matter in one of his talks with Prime Minister Pella. However, I do not know the result of that conversation. [3]

. . . . . .

From time to time the North Atlantic Council has studied the question of anti-communist measures within NATO, but thus far, without concrete results. It would appear that a considerable amount of preparatory work is still required before the Council will be able to formulate a policy in this field which will be of any real value.

I am glad that you wrote your letter, because it has given everybody on the U.S. side something to think about. We at SHAPE will continue to study the problem actively because, regardless of our

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[1] *Supra.*

[2] In a letter to Merchant of Dec. 22, Edward Page of USRO in Paris wrote that Voorhees would not go to Rome because of poor flying conditions but that he was returning to Washington toward the end of the month. Attached to this letter was a memorandum of Dec. 21 which furnished background information concerning the establishment in 1953 of the NATO Special Committee to study ways to combat Communist subversion. (765.00/12-2253)

[3] Dulles' conversation with Pella in Paris on Dec. 16, which dealt almost entirely with the Trieste question, was described in telegram 2319 from Paris, Dec. 16, scheduled for publication in volume VIII. Dulles did not raise the OSP question with Pella.

technical responsibility, we cannot afford to let a dangerous military situation develop without initiating action to correct it.

Minister Taviani is coming to Paris shortly after January 15th, and I have already arranged to see him in connection with Italian defense matters. I shall discuss with him at some length the subject you have raised. If, prior to that time, you or General Christiansen have in mind any specific points that I can use in my discussion with Signor Taviani, I shall be grateful if you will let me have them.

I trust that you will have a very Merry Christmas. Mrs. Gruenther joins me in best wishes to the Luce family.

Sincerely,

ALFRED M. GRUENTHER

No. 760

123 Luce, Clare Boothe: Telegram

The Secretary of State to the Embassy in Italy [1]

TOP SECRET PRIORITY WASHINGTON, December 23, 1953.

2126. Eyes only for the Ambassador from the Secretary. Re your 1959. [2] Appreciate your offer come Washington for consultation. Hesitate suggest change your holiday schedule but hope you could arrive December 28 in view my possible imminent departure for Berlin conference. I have reports from our Defense Dept. friends that you have serious doubts concerning continuation of MDAP for Italy. Am aware suggestions urtels 1818 and 1876 [3] but have not

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[1] A draft of this telegram prepared by Jones, Dec. 21, is in file 765.5 MSP/12-2153. A note on Jones' draft indicates that it was redrafted by Dulles before being sent. Attached to the draft was a memorandum of Dec. 21 from Merchant to Dulles which described a meeting earlier in the day in Dulles' office to consider Luce's views on continuing economic and military aid to Italy as reported in recent Embassy telegrams and through Department of Defense sources. The memorandum noted that it was agreed at the meeting that Luce should be asked to present her views personally to the Secretary of State, the Under Secretary of State, and representatives of the Department of Defense during her upcoming visit to Washington.

[2] Telegram 1959 indicated that, at the Secretary of State's request, Luce was returning to the United States, arriving in New York on Dec. 27. Luce indicated also that she planned to stay in the United States until Jan. 20 and that she would be able to come to Washington on Jan. 2 for consultations. (123 Luce, Clare Boothe)

[3] In telegram 1818 from Rome, Dec. 7, Luce stated that the Embassy was currently appraising U.S. military, economic, and political negotiating objectives with regard to Italy and urged an early decision in Washington on the OSP program and on the level of defense support for Italy. She also expressed her belief in the necessity for full flexibility to use the overall U.S. aid package, including OSP, in negotiating for specific Italian Government internal anti-Communist policies, which she considered the most important single objective of U.S. policy. (765.5 MSP/12-753) In

Continued

seen in any of your reports to Department recommendation that end-item shipment to Italy should cease. Since this raises serious question our future policy toward Italy am most anxious have benefit your views this and related Italian problems before my departure.

DULLES

telegram 1876 from Rome, Dec. 11, Luce strongly urged that no announcement be made of aid to Italy until the United States was prepared to talk to the Italian Government along the lines recommended in telegram 1818. She also requested that no announcement be made of aid to Yugoslavia until the Italian political atmosphere was more propitious. (765.5 MSP/12-1153)

No. 761

765.5 MSP/12-2453: Telegram

The Ambassador in Italy (Luce) to the Department of State

TOP SECRET ROME, December 24, 1953—3 p. m

1979. Eyes only for the Secretary. Re your 2126, December 23. [1] Arriving New York late December 27. Very difficult make Washington before morning January 2. Do you wish to see me then?

Meanwhile, in answer MDAP question in your 2126, it is true that I have a growing apprehension concerning the situation in Italy which, among other aspects, has an important bearing upon MDAP. Unless the upward trend to communism in Italy and chronic Italian feet-dragging on cooperation with our over-all objectives in Western Europe, which increased following the elections last June, are stopped and reversed within coming year the wisdom of continuing MDAP or any other kind of aid in subsequent year will be open to serious doubt.

But by no means do I feel that the present situation has reached this point. There is, however, the need at all US levels to become fully conscious of the growing danger in order we ourselves may take effective steps to combat the situation and assist our Italian friends in struggle. To accomplish what needs to be done will require a new approach in our dealing with the Italian Government in all spheres particularly those relating to MDAP and other aid. Some suggestions along those lines are, as noted by you, set forth in my 1818 and 1876. [2] Aside from our strictly US approach I feel there should be parallel action by NATO; hence my approach to

[1] *Supra.*

[2] See footnote 3, *supra.*

General Gruenther to alert him of the possible danger to his SHAPE Forces if communism continues on the upsurge. [3]

While we are assessing the whole situation and devising ways and means, I see no need to discontinue end item shipments. We can however use off-shore procurement, and other forms of aid as means of exhorting the Italian Government to take necessary steps to combat communism. If that action, having been taken, fails to stop and reverse current trends which the months ahead will tell, then we must indeed reconsider our whole policy toward Italy. [4]

LUCE

[3] For text of Luce's letter, see Document 758.

[4] In replying to Luce in telegram 2139, Dec. 24, Dulles wrote that Jan. 2 was all right for a meeting unless he would have to leave for Berlin before then. He stated that Luce's cable had clarified doubts in his own mind concerning her views on some matters and that he was generally sympathetic to her point of view. (123 Luce, Clare Boothe) In a briefing memorandum of Dec. 31 for Dulles preparatory to the meeting with Luce, Bonbright noted that EUR believed that the MDAP program should not be included in the bargaining package, since "this would have the most profound repercussioins on our whole European security structure and more particularly the defense of Italy." (765.00/12-3153)

No. 762

Luce files, lot 64 F 26, "Washington Trip—January 1, 1954"

Summary of Conference, by the Chief of the Military Assistance Advisory Group in Italy (Christiansen) [1]

SECRET WASHINGTON, January 5, 1954.

Principal Participants:

Ambassador Luce
AS Defense Nash
Mr. Tracy Voorhees
Maj Gen Stewart, OSD
Mr. Henry Tasca, FOA, Rome
Mr. Freund, Office Sec State

[1] A longer, more detailed memorandum of this conference, drafted by Ripps of FOA, with a full list of participants, is in Italian Desk files, lot 57 D 56, "435—Aid to Italy".

The source text was one of two attachments to a memorandum of Jan. 14, 1954, from Christiansen to Luce, in which Christiansen stated, "I attach two Secret papers that contain information concerning your Washington trip." The other attachment was another memorandum from Christiansen to Luce, also dated Jan. 14, which Christiansen explained he had made for the record since its substance did not appear in any other record known to him. He noted, "After the meeting with Secretary Dulles on 2 January 1954, Mr. Nash, Assistant Secretary of Defense, asked General Christiansen if a slowdown in delivery of MDAP equipment to Italy was desired. General Christiansen replied that a slowdown was not desired by him at this time but that policy should be checked with the Ambassador. Mr. Nash then asked the Ambassador the same question—her reply was that a slowdown was not desired at this time."

Maj Gen Christiansen, MAAGIT
Several other State Dept officials

Ambassador Luce opened the meeting with a brief statement and then called on Mr. Tasca. After a short presentation by Mr. Tasca concerning Embassy desires on OSP a general discussion followed. Main points made were:

a. Mr. Voorhees—about 200 million will probably be available for OSP. This is exclusive of money available for F86 K program. General Stewart suggested using figure smaller than 200 million. Final agreement was to effect that Ambassador in approaching the Italian government should use 100 to 150 million figure instead of 200.

b. Mr. Nash and Mr. Voorhees both approve using the possibility of reduction or cancellation of OSP orders to secure political pressure to help reduce the communist threat. Mr. Nash adding that continued pressure was necessary not just a "one-shot" deal.

. . . . . .

d. The F 86 K program [2] was outlined by Mr. Voorhees as follows: The Ambassador and others agree that the assembly of the original 50 should go ahead because to stop now after so much negotiating and talking had been done would be inadvisable. The need for approximately 62 more such planes would be taken care of as follows: Contract with North American Aviation to produce the pieces but fix the assembly phase so that it could be decided later whether to offer further assembly job to Fiat or to North American. . . . Mr. Nash said he would telephone Mr. Valletta's representative that Valletta should stay in Italy until after Ambassador had talked to him. The question of whether the 37.5 million available for production of aircraft in Italy would be used for the 62 additional was not clearly developed.

e. Mr. Voorhees. The 200 million possible for OSP is of course dependent on proper prices being proposed by Italian contractors.

. . . . . .

J.A.C.[3]

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[2] The Department of Defense had been considering since the summer of 1953 the question of placing orders for all-weather F-86 K fighters with Fiat in addition to the contract let in May 1953 for the assembly by Fiat of 50 F-86 K fighters. Background information on this subject was provided in a memorandum for the files by Levy-Hawes, Dec. 11. (Italian Desk files, lot 57 D 56, "435.03 OSP (Jan.-March '54)")

[3] A typewritten notation after the initials reads: "This summary made by General Christiansen and checked by Mr. Tasca."

No. 763

Editorial Note

On January 5, as a result of opposition within Prime Minister Giuseppe Pella's Christian Democratic Party to his stated intention to name Salvatore Aldisio as Minister of Agriculture, Pella presented his resignation to President Luigi Einaudi. A description of the dispute which led to Pella's resignation is in despatch 1363 from Rome, January 8. (765.00/1–854) On January 12 President Einaudi asked the Minister of Interior in Pella's cabinet, Amintore Fanfani, to form a new government. On January 19 Fanfani announced that he had formed a cabinet composed of 18 Christian Democrats and one Independent. A memorandum of January 19, from Special Assistant for Intelligence W. Park Armstrong, Jr., to Secretary of State Dulles discussed the composition of and the prospects for the Fanfani government. (Italian Desk files, lot 57 D 56, "210—Cabinet")

No. 764

Editorial Note

On January 30, the government formed by Amintore Fanfani on January 19 collapsed when it received a vote of no confidence in the Chamber of Deputies. President Luigi Einaudi turned to Mario Scelba, former Minister of Interior in De Gasperi's government, who succeeded in forming a new government composed of 14 Christian Democrats, 4 Social Democrats, and 3 Liberals. The Scelba government was sworn in on February 10 and received parliamentary confirmation on March 10. The impending fall of the Fanfani government was described in telegram 2290 from Rome, January 29. (765.00/1–2954) An analysis of the steps leading up to the formation of the Scelba government and a brief discussion of its probable policies were included in telegram 2837 from Rome, February 9. (765.00/2–954)

No. 765

765.00/3-454

Memorandum by the President to the Acting Secretary of State

SECRET WASHINGTON, March 4, 1954.

Just after the completion of the Security Council meeting this morning, I was visited by a man just returned from Europe. [1] He is a man who is a good observer.

He suggested two things:

(a). That the governments and people of Europe be reassured in emphatic terms as to the continuity and stability of American foreign policy as it affects that region. This recommendation, you will note, is in exact accord with the decision of the Security Council this morning, [2] except that it also raises the question as to whether the statement that we are preparing should be made public after its dispatch to the several governments.

(b). He felt that some developments of the past ten days or two weeks made even more imminent the possible crisis in Italy. He felt that we must "do something" positive and quickly to improve pro-American sentiment in that country. He said that only recently the eighty-year old Sturzo (I hope that is close enough to the spelling that you can identify the individual—I believe he founded the Christian Democrat Party) had made a magnificent speech favorable to us, but that on the whole he believed the situation was deteriorating somewhat. This he believed was because of the failure of the Russians to make progress in their open attacks at Berlin and that they now were intensifying their efforts in Italy in order to salvage something out of the wreck.

. . . . . .

In any event, I should like to have from your Department a summation of any recent changes they know in the Italian scene as it affects our policies and interests.

D.E.

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[1] Eisenhower's daily appointment record for Mar. 4 indicates that the NSC meeting was held at 10 a.m. The next entry was the following: "12:45. General Ed Clark of New York (off-the-record)." (Eisenhower Library, Eisenhower records, "Daily Appointments")

[2] Reference is to the NSC decision to give written assurances to the French Government in connection with the European Defense Community as to the retention of U.S. forces in Europe and continued U.S. participation in NATO.

No. 766

765.00/3-454

Memorandum by the Acting Secretary of State to the President [1]

SECRET WASHINGTON, March 9, 1954.

Subject: Italian Political Scene

I have your memorandum of March 4, 1954, [2] reporting the observations of a visitor who has just returned from Europe and requesting a summation of recent changes in the Italian scene as it affects our policies and interests.

While the Italian situation remains precarious, recent developments have been hopeful rather than otherwise.

1. A center coalition government including the Social Democrats has been formed by the Christian Democrats and is expected to win parliamentary confirmation. This marks a set-back to the Communists' popular-front policy, a return to unity of all center forces, and abandonment by the Social Democrats of their dangerous flirtation with left-wing socialists dominated by the Communists. It also marks the end of the phoney truce under the Pella Ministry between the center and the extreme left which was cause for grave concern.

2. The government has presented an energetic constructive program (housing, social security reform, further tax reform, public works) which may reduce unemployment somewhat and help stem the loss of voter support to the left.

3. The government seems resolved to press for ratification of EDC and for final approval of the United States-Italian agreement on NATO facilities for United States use in Italy. It no longer links these questions to a satisfactory solution of Trieste.

4. The principal anti-Communist trade union has reasserted its opposition to unity of action with the Communist union and is supporting the present government. This also is a blow to the popular front policy.

5. The government and press show a new awareness of the Communist internal threat, and the Berlin conference disillusioned many on the Soviet "peace" campaign.

6. Secret U.S.-U.K. negotiations with the Yugoslavs on Trieste have made progress and have reached the point where specific territorial solutions are being discussed. [3] If we stand firm there is hope that we may achieve either a compromise settlement the Italians could accept or the equivalent of implementation of our October 8 decision to transfer Zone A to Italy. Either development would strengthen the Italian Center Government.

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[1] Drafted by William E. Knight and cleared in draft by Jones.

[2] *Supra*.

[3] Documentation on these negotiations is scheduled for publication in volume VIII.

The extent to which notable improvement in the political situation may be achieved depends principally on: (*a*) whether the new government, which has a narrow parliamentary majority, can survive and gain popular approval; or, if not, (*b*) whether new elections would bring increased strength to the Christian Democratic and other center parties.

Both of these eventualities would be substantially promoted by a Trieste settlement to which the government, and in particular the Christian Democratic Party, could point to as an achievement.

Of course Italy's basic problems such as over-population and poverty of resources will remain to plague present and future Italian governments. Nevertheless the situation looks better at the moment than it has for some months.

WALTER B. SMITH

No. 767

765.00/3-1154: Despatch

The Ambassador in Italy (Luce) to the Department of State

SECRET

ROME, March 11, 1954.

No. 1770

Subject: Current Political Situation; Memorandum of Conversation between the Honorable Paolo Emilio Taviani, Italian Minister of Defense and Elbridge Durbrow on February 27, 1954.

I called on Minister Taviani at his request and during the conversation discussed with him the current political situation. The following is a summary of his ideas on the subject.

Minister Taviani thought that the Scelba government had a chance to survive but it was an outside chance. He stated that it might fall on one of the secret votes on the budget. According to Taviani, the hardest budgets to pass as far as the Scelba government is concerned would be the labor, public works and public instruction budgets. In regard to the first two, it might prove most difficult to go as far as Saragat desires in social reform and public works investment and therefore it might cause the PSDI in a secret vote to vote against the government and cause its fall. The vote on public instruction might cause the fall of the government because it would not suit the desires of the Liberals. Taviani added that if the government should fall on one of the secret ballots, it would be absolutely necessary to hold elections.

In view of his conviction that elections should be held if the Scelba government falls, I asked Taviani whether it might not be advisable to try another combination including the Monarchists

rather than holding elections, which in my estimation would be very risky, since there is no clear-cut issue and the Social Communists might gain considerably. Taviani replied that in his estimation it would not be possible to work out any combination including the Monarchists since such a move would jeopardize, if not shatter, Christian-Democrat solidarity. By this he did not mean that the Christian-Democrat Party would fall apart but that certain elements of the Party would refuse to follow the leaders and with the inevitable loss of the PSDI in any Monarchist combination it would in all probability not be possible to form a government. He added, however, that one other possibility of forming a government did exist, namely to induce the Republicans to join a Christian-Democrat-Monarchist-Liberal coalition, in which event the presence of the Republicans in the government would make it possible to hold the entire Christian-Democrat Party together. In this connection he stated that every effort should be made to get Pacciardi to induce the Monarchists to join a government in which the Republicans would be represented. While he thought that this possibility did exist, he pointed out that although Pacciardi was willing to work in a government with the Monarchists, his two principal colleagues, La Malfa and Reale, in all probability would not join in such a combination. He expressed the hope that maybe eventually if such a combination including the Monarchists and the Republicans could be created, it might even be possible to bring in the Social-Democrats to form a really solid democratic front against Communism.

In discussing the prospect of elections, Taviani stated that if they should take place it would in all probability mean for all practical purposes the end of the three minor parties. He was not too certain as to what would happen to the Monarchists, but there was the possibility that they might even gain. He made it quite clear that in any election this year he definitely was of the opinion that the Christian-Democrats would gain strength and seemed to hope that they might even attain an absolute majority. In regard to the prospects of the Social Communists, Taviani seemed convinced that in an election they probably would gain a few more percentage points of the total electorate. When I pointed out that if they gained about four or five percent they might become the largest party in the country, he stated that he was certain that their gains would not be that large. He thought that perhaps the Nenni Socialists might hold their own or possibly lose 100,000 votes while Communists would gain because of their growing strength in the south. In this connection, he gave the following reasons for his conviction that the Communists would gain in the south. In the depressed south the majority of people are what he termed "subproletarians",

who for religious and sentimental reasons vote for either the Christian-Democrat or the Monarchist Parties. As soon as the standard of living of these ignorant people is raised they will automatically become proletarians and switch their vote to the Communist Party. They will continue to vote for that party until such time as the standard of living in that area is raised considerably higher, when they will become what he called "qualunquists" and eventually they will become petite *bourgeoisie*. This process, which has gone on in the north, unfortunately will take some time. In regard to the north, he stated that political situation there has now stabilized with most of the former proletarians either being "qualunquists" or petite *bourgeoisie*. He expected therefore that the Communists' strength in the north would gradually diminish. He seemed to hold out hope that if elections should take place it would be possible, if vigorous efforts were made, to win to the Christian-Democrat Party, or possibly even to some of the minor parties, the 1,800,000 votes made up of the Cucchi-Magnani, Corbino, etc., groups.

Again expressing concern about the dangers of new elections, I pointed out that I could see no real issue to go to the country with and therefore felt that if elections were to take place a real issue must be developed. He replied that the issue is already there if elections are necessary, namely, the impossibility to govern with the present parliamentary set-up. Taviani stated that if we thought that new elections were too dangerous we should do all in our power to back up and encourage the minor lay parties. By this he obviously meant that these three parties should adhere very closely to, and back up, Christian-Democrat policies.

. . . As indicated above, he seemed to feel that a small Communist gain was inevitable and added that we should prepare the American public and Congress for this eventuality by explaining to them all the factors which make up the Communist appeal in Italy. We should emphasize that by far the vast majority who vote Social-Communist are not Communists in any sense of the word but represent protest and anti-clerical votes and those who believe Communist propaganda. I pointed out that the American public and Congress had already been disillusioned once by claims that there were very few "Communists in China", but actually China is now behind the Iron Curtain. Therefore Americans would be very sceptical of any claims that Italian Communists were not really Communists.

For the Ambassador:
ELBRIDGE DURBROW

No. 768

Editorial Note

As noted in the Third Progress Report on NSC 67/3, dated May 20, 1953, the Department of State was to prepare after the June 7 national elections in Italy a new draft NSC paper on Italy reflecting conclusions drawn from the outcome of those elections. (S/S–NSC files, lot 63 D 351, NSC 67 Series) A memorandum of August 4, 1953, from the Director of the Office of Western European Affairs, Homer M. Byington, to the Executive Director of the Bureau of European Affairs, Tyler Thompson, authorized the preparation of such a paper. (611.65/8–1253) On January 18, 1954, Richard Freund of the Office of Western European Affairs circulated a new draft statement of policy on Italy for comment by various Bureaus and Offices within the Department of State. (S/P–NSC files, lot 62 D 1, NSC 5411 Series) Comments by Murphy, Beam, Scammon, Colbert, Barbour, and Elbrick on this draft statement of policy are in file 765.00/1–2054. On January 29, 1954, William E. Knight of the Office of Western European Affairs also circulated for comment within the Department of State a 2-page draft Financial Appendix and a 26-page draft staff study as supplements to the January 18 draft statement of policy. These three initial working drafts and the comments on them from within the Department of State were considered by the Planning Board of the National Security Council at its meetings on February 4 and 25 and March 1, 5, and 10. A draft policy statement on United States policy toward Italy, as approved by the Planning Board at its meeting on March 10 and circulated as part of a new draft NSC paper on Italy (NSC 5411), is printed *infra*.

No. 769

S/S–NSC files, lot 63 D 351, NSC 5411 Series

Draft Statement of Policy Proposed by the Planning Board of the National Security Council [1]

TOP SECRET
NSC 5411

WASHINGTON, March 12, 1954.

[1] The source text was attached to a covering note of Mar. 12 from Lay to the National Security Council which indicates that the draft statement of policy would be considered by the NSC at its meeting on Mar. 25. The draft statement of policy, together with a Financial Appendix and a Staff Study, none printed, comprised NSC 5411. For a memorandum of the discussion at the Mar. 25 meeting of the NSC, see Document 773.

U.S. Policy Toward Italy

GENERAL CONSIDERATIONS

1. The "cold war" loss of Italy to Communist control would result in profound political, psychological and military damage to the free world. Such a loss would:

a. Be a clear defeat of Christian-European ideology by Soviet-Communist ideology at the historic seat of the Roman Catholic church; and place behind the Iron Curtain a country whose cultural and historical influence has played a great part in the development of Western civilization.

b. Require drastic revision of NATO strategy for the defense of Western Europe, because of Italy's important role in the defense of the southern flank and great value for control of the Mediterranean.

c. Impair Yugoslavia's over-all contribution to Western defense.

d. Add substantial manpower, military equipment, technical skills and industrial capacity to the Soviet bloc.

e. Make possible Communist control of Italian Somaliland.

2. Up to the election of 1948, grave danger existed that Italy would fall under Communist domination. In these elections, Communism was rebuffed and a Center government established, due in part to large-scale economic aid and firm moral support from the United States.

3. From April 1948 to June 1953, Italy under de Gasperi made progress on many fronts. Communist contol of the labor movement was diminished by the growth of non-Communist labor federations. With large-scale American aid, the economy improved. Production and the real wages of those employed rose well above pre-war levels. Steps to meet basic problems were initiated in such fields as tax reform, land reform and a program for southern development.

4. Despite these advances, however, grave problems have persisted. Italy, poor in most raw materials, has one of the highest densities of population in Europe. Tax and agricultural reforms and the southern development program have proceeded slowly. Per capita income is low, and there are wide discrepancies in standards of living. About 20 per cent of the labor force is unemployed or underemployed. Labor disputes have continued. Basic feelings of insecurity among the workers and long-entrenched popular sentiments of anti-clericalism and anti-governmentalism are important political factors. The resulting pessimism and cynicism about Italy's future have made a substantial part of the Italian population a fertile field for Communism and intensified authoritarian tendencies.

5. The Communists have built up over many years an effective machine of subversion reaching down to the block and village level. Italy has the largest Communist Party outside the Soviet bloc; the

Communists and their allies, the Nenni Socialists, together control about 35 per cent of the vote. There is a distinct trend on the part of the labor and lower middle classes from the Center to the pro-Communist Left, which is the principal force of opposition to the Government. Popular support for the Communists has been furthered, and strong action by the Government has been made politically difficult, by relatively moderate "popular front" tactics, the Soviet peace campaign, popular acceptance of the Communist Party as a legitimate organization, and disunity among its opponents.

6. Since 1948 the Center government has been outspoken in its anti-Communism, improved its internal security forces and reacted vigorously to Communist threats to public order, but it has failed to discredit Communist appeals or take adequate steps to undermine the vast Communist organization. This inadequacy has in turn strengthened the forces of the Right.

7. Before the 1953 election, Italy under de Gasperi and Sforza collaborated closely with the Western Powers, particularly the United States; gave vigorous support to NATO; and early assumed a position of leadership in the movement for European integration, motivated not only by long-range security consideratons but by hope that through European unity its economic and political problems might be alleviated.

8. Italian domestic progress and international cooperation have now been jeopardized as a result of the 1953 election. The previously firm governing majority of pro-Western parties has been replaced by an unstable situation in which it is very difficult for the Christian Democrats to form a viable government. If present conditions continue, there is grave danger that a succession of weak governments will increasingly discredit the Center and strengthen the Right and Left extremes. However, the Communists and Nenni Socialists are unlikely to obtain power within the next two years.

9. Italy's value to the West would be appreciably lessened under rightist or authoritarian regimes. Although a moderate rightist government would probably continue cooperation with the West, its domestic policies might aggravate internal frictions and ultimately strengthen the Communists. An extreme rightist government would be almost certainly authoritarian, probably ultra-nationalist and opposed to European unity, and possibly neutralist. However, even a right-wing authoritarianism would be far less dangerous than a Communist regime.

10. In this situation it is clearly in U.S. interests to give maximum feasible support to a reinforcement of center strength as broadly based as is consistent with implementation of the reforms necessary to improve basic social and economic conditions in Italy.

11. During the last five years, our policy of seeking to integrate Yugoslavia into the Western alignment has, in the absence of a Trieste settlement, placed severe strains upon our relations with Italy. The Italians maintain that our policy has improved Yugoslavia's bargaining position and diminished its readiness to agree to a compromise solution on Trieste. This situation has delayed parliamentary consideration of EDC and negotiations on NATO facilities in Italy for U.S. use. An early Trieste solution of a kind in which the Italian Government can acquiesce is important to popular confidence in any government based on the Christian Democratic Party, and essential to achievement of Italo-Yugoslav defense collaboration.

12. Italian forces cannot be expected to make any great contribution to the defense of Europe, other than by the defense of Italy itself in collaboration with other Western forces. The defense of Italy requires continued improvement in the quality of Italian forces and continued Italian cooperation with the United States and other Western forces within NATO. Italian forces can be expected to fight effectively if at the outbreak of hostilities the United States is able, through NATO or directly, to provide effective leadership and support.

13. An Italy free from Communist domination or serious threat of Communist subversion, having a constitutional, democratic government and a healthy self-sustaining economy, and able and willing to make important political, economic and military contributions in support of the free world coalition.

COURSES OF ACTION

. . . . . .

Italian Collaboration in the Free World

27. As long as Italy continues to meet its defense obligations to the West, continue appropriate military assistance toward equipping and maintaining currently-agreed Italian forces.

28. Acting whenever appropriate with the support of or in concert with other friendly governments:

a. Support Italian participation in the movement for European integration and encourage Italy to reassume a primary role in this movement.

b. Promote strengthened Italian political, economic and military collaboration with the United States and Western Europe through such organizations as NATO, OEEC, CSC and EDC.

c. Seek to persuade the Italian Government that it is in the best interest of Italy to ratify EDC promptly.

d. Encourage the Italian Government to fulfill its NATO commitments for combat-effective forces, and to this end to maintain its defense spending consistent with its economic capabilities.

e. Continue, as appropriate, attempts to obtain Italian admission to the UN.

f. Continue efforts to bring about an Italo-Yugoslav *rapprochement*, particularly through an early solution of the Trieste problem of a kind which would make such a *rapprochement* possible.

Future Contingencies

29. In the event of an external attack against Italy, the United States should make such use of its military power as it may agree to be necessary under Article V of the North Atlantic Treaty.

. . . . . .

No. 770

765.00/3-1354

The Ambassador in Italy (Luce) to the Under Secretary of State (Smith)

TOP SECRET EYES ONLY
OFFICIAL PERSONAL

ROME, March 13, 1954.

DEAR BEDELL: Your personal top secret letter (Registry No. 486711), dated March 4th [1] was received by me March 11th.

There is no doubt that within the next year a civil war situation can develop in Italy.

On November 3, 1953, I sent the President and the Secretary a personal eyes only *Estimate of the Italian Situation*. [2] It said that any long delay in implementing the October 8th Decision would be followed by the fall of Pella. This, in turn, would lead to a chaotic political situation among the weakened, strife-torn anti-Communist parties, which the U.S. could only hope to retrieve with a vast overt and covert aid program. If neither of these programs, or a favorable Trieste solution were forthcoming, then the Communists would either continue to gain rapidly (which they have done in many administrative elections since October) or the situation would be marked by a swing to the Right. If the Right swing encountered Communist resistance, this would certainly revive dictatorship of some sort, and the consequent risk of civil war in Italy.

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[1] Not printed. (765.00/3-1354)

[2] Document 753.

As that Estimate is already available to you in Washington, there is no need to lengthen this letter by repeating its arguments.

Your source's report can also be weighed against the following circumstances:

On March 3rd, the Prime Minister sent for me. I did not take anyone along to translate, as I was told Mr. Canali, Secretary at the Viminale would be there to do so. Mr. Canali is well known as a loyal "De Gasperi man." But instantly upon my arrival Scelba insisted on talking to me quite alone, although I protested the inadequacy of my Italian.

He then spoke to me, almost without interruption, for a solid hour and a half. He talks rapidly, with a Sicilian accent, and my Italian while good enough to understand the sense of everything is not good enough to get fine shades of meaning or subtle points. Several times I suggested I would like to have Canali in to interpret, but he said no, and made an effort to speak more slowly.

. . . . . .

At a certain point in the conversation he said, "But if we must have civil war, we need to *prepare* for it." I interrupted to ask him if he meant by "needing to prepare" that the police and carabinieri were unable *now* to handle the situation if real trouble broke out—in short, did he fear the paramilitary strength of the CP. He replied that the Government had adequate *force* now, but what had to be prepared was the stage, or the psychological climate. He then wanted to know what the United States would do if such a situation did develop. I replied we hoped it would not come to any such tragic necessity (I have no instructions to take any other line), but that I personally believed that if it did, we would back the Government in our own interests. This seemed to satisfy him.

. . . . . .

He then sent for Canali.

. . . . . .

With Canali translating, our talk consisted of my reading to Scelba the Secretary's letter of January 14th . . . of Italy's signing of the Offshore bilateral and Facilities agreement, [3] as giving con-

[3] Documentation regarding the negotiations leading up to the signing in Rome on Mar. 31 of a memorandum of understanding concerning offshore procurement procedures is in Rome Embassy files, lot 63 F 62, "Offshore Procurement". Documentation regarding the negotiations leading up to the signing in Rome on Oct. 20 of a Military Facilities Agreement is in file 711.56365.

crete evidence that his Government was strong enough to take any kind of pro-West action; our hope that a Trieste solution could be found, which would certainly be easier to do if a strong and stable government to handle it could be maintained in Italy; and the urgency of passing EDC.

He said the government was ready to take action in all these fields—especially EDC.

Significantly enough, as I look back on it, he did *not* mention the urgency of a Trieste solution, either privately or when Canali was present. He was the first CD official who hasn't done so in an official conversation.

Another curious circumstance is that he reported nothing of what I had said (or he had said) to the Italian Foreign Office until the very eve of his debate for the confidence vote in parliament a week later. I learned this from a Chigi official who complained to me that Scelba would make no report on what he had said in his private talk, athough the Foreign Minister, Piccioni, had pressured him hard for details.

. . . . . .

On the same day Valletta had a luncheon with Harry [4] (and Stanley Resor). Afterwards Harry scribbled me the following note:

"After an hour and a half discussion of Italian politics and economics, Valletta suddenly said: 'Now, would you like to have me tell you what is going to happen?' We were, of course, all ears.

" 'Well then' said Valletta, 'first, Scelba will be confirmed. Then, once he is confirmed three things will happen—First, we will pass EDC at any cost—at any cost.'

"I broke in to ask about the problem of filibuster—'parlare, parlare, parlare.' He said that would be taken care of. 'If the Communists get riotous in the Chamber, they will be thrown out.'

" 'We will pass EDC,' he went on, 'for every reason—for the position of Italy among the powers, for our self-respect, and to establish clearly that we are of the West.'

" 'Then, after EDC is passed, strong measures will be taken against the Communists. In taking these strong measures, we have to realize that we are risking civil disturbance. . . .

" 'Thirdly, along with strong measures against the Communists, we must move rapidly toward economic improvement. For this we need American economic aid.'

"He also said that 'a Trieste solution will have to be found, but it doesn't have to be a very perfect one.' "

These clues are important for the following reasons: Valletta is very close to Scelba; Valletta has great influence over the Confindustria—the Milan-Turin crowd who back the CD's; Valletta is se-

[4] Henry B. Luce.

riously alarmed by the firmness of the U.S. position on Offshore placement. . . . And Valletta sees that only government action can get the CP thing under control and safeguard the enormous financial stake Milan and Turin have in pro-West aid and cooperation. Presumably he has made many other industrialists also see this.

. . . . . .

Cordially,

CLARE

No. 771

Italian-Austrian Desk files, lot 58 D 243, "103 NSC 1954"

The Counselor of Embassy in Italy (Williamson) to William E. Knight of the Office of Western European Affairs

TOP SECRET
OFFICIAL–INFORMAL

ROME, March 15, 1954.

DEAR BILL: Ever since the draft NSC paper and the Staff Study were received last month, [1] we have discussed them at length. On the whole, we all agree here that the paper is excellent and we hope that it goes through the NSC without material change.

There are, however, two major considerations which I hope have been taken into account in the final draft. In the first place, in the political field, the paper does not bring out the point that an important objective of the De Gasperi Government in the period 1950 to 1953 was to bring about a reduction in both Social-communist and Neo-Fascist influence by means of discriminatory electoral legislation. With respect to provincial and municipal administrations throughout Italy, this policy was successful. It failed on a national scale. This policy could have kept Social-communist parliamentary opposition within bounds and would have guaranteed the Government's ability to push ratification of EDC through Parliament. The latter, in turn, would have made Italy's communist problem, as well as that of France, a charge on the entire European Defense Community. The Italian Government is now faced both with the task of putting EDC through at all costs under less favorable cir-

[1] Knight enclosed copies of the drafts of the NSC policy statement on Italy and the staff study, as they were originally submitted to the NSC Planning Board on Feb. 4 (see Document 768), with his letter to Williamson of Feb. 2. (Italian-Austrian Desk files, lot 58 D 243, "103 NSC 1954")

cumstances and with challenging the communist growth and influence directly with narrower parliamentary support behind it.

Also, Point 54 of the Staff Study tends, in our view, to exaggerate the potential implications of a rightist authoritarian regime. It is true that such a regime would be wholly undesirable from our point of view except as an unavoidable alternative to communism. However, the correspondence of Italy's foreign policies with those of our own under such circumstances would depend not so much on the type of regime as defined but on its character and our own policies. As to character, if such a regime could give a sense of unity and direction to Italy, it would make her utility to United States foreign policy greater—provided this was not outweighed by repercussions on democratic processes in other countries.

On the other hand, the United States has been able to make mutually desirable defense arrangements with countries under such regimes elsewhere. For example, those with other American states as well as the agreements with Yugoslavia and Spain. None of this is intended to dispute the basic contention that favorable attitudes can be expected to continue while Italy remains under a moderate democratic regime.

Finally, since the paper indicates that some possibility exists of a communist advent to power through legal means, we believe that it should contain a discussion of the problem of determining the point at which our continued delivery of military items to Italy might be damaging to our interests. Clearly that point has not yet been reached. In fact, any indication that we were slowing down military assistance to Italy under present circumstances would contribute gratuitously to a potential communist encroachment on political power here.

If the Social-communists again advance in future elections and irresistible pressure for their participation in government develops, we should be ready the moment either the Nenni Socialist Party or the communists themselves are brought into the government (assuming in the former case that the Nenni Socialists are still tied directly or indirectly with the communists) to announce the cessation of all United States governmental assistance to Italy. This alone should have the effect of seriously shaking such a government and affording those forces favorable to our interests the opportunity of preventing its survival. [2]

Secondly, in the economic field, Tasca's office has had a great number of comments to make, largely in the field of general orientation rather than in specific detail. His section has re-drafted the

[2] The following notation is written in the margin here: "Good thought but might be better to let it be known when such possibility arose that we would do this."

part on "Economic and Social Problems", which may contain useful material and hints concerning the Embassy's view of this question. I enclose, therefore, for your information, two papers: (1) a draft letter to Livvy Merchant prepared originally for the Ambassador's signature, and (2) a re-draft of the "Economic and Social Problems". [3]

Knowing how NSC papers are prepared in Washington, we here deeply appreciate your sending us the drafts for our consideration. Again recognizing the way in which these papers are prepared, both Durby and I believe that the best way to make known our views is in the manner presented above rather than sending a formal communication to Livvy Merchant. I hope that these suggestions may be helpful to you. [4]

Sincerely yours,

FRANCIS

[3] Neither printed; the source text bears the handwritten notation, "I think the rewrite of economic and social problems is excellent. Too bad arrived too late."

[4] For Knight's reply to Williamson, see Document 779.

No. 772

S/S-NSC files, lot 63 D 351, NSC 5411 Series

Memorandum by the Chairman of the Joint Chiefs of Staff (Radford) to the Secretary of Defense (Wilson) [1]

TOP SECRET WASHINGTON, March 23, 1954.

Subject: NSC 5411—U.S. Policy Toward Italy

1. The Joint Chiefs of Staff submit herewith their comments and recommendations concerning the draft statement of policy in NSC 5411, entitled "U.S. Policy Toward Italy". [2]

2. In the opinion of the Joint Chiefs of Staff, the proposed statement of policy with respect to Italy does not place in proper perspective the strategic importance of the Italian peninsula and Sicily under the NATO strategic concept nor the critical impact upon the security of the United States and of the Free World in general which would attend the loss of Italy to Communist control. Further, under the contingency of the achievement of control of

[1] The source text was attached to a memorandum of Mar. 24, from Lay to the National Security Council, which noted that the attached views of the Joint Chiefs were being transmitted at the request of the Department of Defense in connection with NSC consideration of NSC 5411 at its meeting on Mar. 25. For the memorandum of the discussion regarding NSC 5411 at this meeting, see *infra*.

[2] Document 769.

the Italian Government by Communists, the draft statement of policy prescribes courses of action in terms which do not adequately reflect the seriousness of such a situation in its potential effect upon over-all United States objectives.

[Here follows paragraph 3 of this memorandum which quotes paragraphs 3–e and 5 from NSC 67/3. For text, see *Foreign Relations,* 1951, volume IV, Part 1, page 543.]

4. By virtue of its pivotal geographic position, Italy's military importance to NATO transcends the actual contribution in armed forces and war materials which Italy itself is capable of making. Italy occupies a central position in the NATO front line of defense extending from the Baltic to the eastern boundary of Turkey. The loss of Italy would effectively breach that line. Italy's NATO forces are relied upon to provide protection for the southern flank of Allied Forces Central Europe and for the western flank of the forces expected to defend the Yugoslavia–Greece–Turkey front. As a base area for naval and air forces, Italy holds a commanding position over the western and central Mediterranean, and flanks the Balkan countries. Hostile forces operating from Italy and Sicily could seriously disrupt, if not actually sever, the lines of communication through the Mediterranean linking western Europe with the Suez base area and the Middle East.

5. With Italy under Communist domination, Yugoslavia would be subjected to greatly increased pressures to effect an accommodation with the Soviet Bloc.

6. The psychological impact which the fall of Italy to Communism would have on the Free World would be incalculable in terms of the effect upon the will of the anti-Soviet countries, notably France, and of the so-called neutrals to resist Communism.

7. Subjugation of Italy and conversion of its military potential to the use of the Soviet Bloc would gravely threaten the security of the entire NATO area, including the Mediterranean Sea, and might well necessitate abandonment of the current NATO strategic concept for the defense of Europe. Therefore, the United States, preferably in concert with its principal Allies, should be prepared to take the strongest possible action to prevent such an eventuality, such action possibly extending to the use of military power.

8. In the broader sense, the Joint Chiefs of Staff are of the opinion that, from the military point of view, the organized endeavor of the Free World to stem the growing power of the Soviet Bloc and ultimately to reduce the Communist threat has reached that point where no further strategically or psychologically important acquisitions of territory, natural resources, industrial capacity, or military manpower by the Soviets should be passively accepted, even under

circumstances in which action to deny such accretions might involve increased risk of general war.

9. The Joint Chiefs of Staff submit in the Appendix hereto suggested changes to NSC 5411 which would bring the draft statement of United States policy toward Italy into consonance with the foregoing views. Subject to the incorporation of the substance of these suggested changes, the Joint Chiefs of Staff recommend that you concur in the adoption of NSC 5411 by the National Security Council.

For the Joint Chiefs of Staff:
ARTHUR RADFORD

[Appendix]

Memorandum by the Chairman of the Joint Chiefs of Staff (Radford) to the Secretary of Defense (Wilson)

Suggested Revisions to NSC 5411

1. Change paragraph 1 to read substantially as follows:

"1. The 'cold war' loss of Italy to Communist control would result in profound political, psychological, and military damage to the free world. Such a loss would:

"a . . . .

"b. Strike a damaging blow to the national will of anti-Soviet and so-called neutral countries to resist Communism, and to the hopes of the peoples of Satellite countries for ultimate liberation from the Soviet yoke.

"c. Reduce appreciably the total available NATO defense forces, and deprive the NATO of industrial capacity capable of assisting in meeting the needs of the armed forces of other NATO countries.

"d. Deprive the Allied Powers of strategically important air and naval bases from which to support NATO ground forces in southern Europe, to support the over-all air offensive, and to defend sea and air lines of communication in the Mediterranean area.

"e. Require drastic revision, if not abandonment, of the present NATO strategic concept for the defense of Europe, because of the pivotal geographic location of Italy in the NATO defense perimeter and the commanding position of the Italian peninsula and Sicily with respect to the Mediterranean.

"f. Seriously impair Yugoslavia's over-all capability of contributing to Western defense, and greatly increase the pressure on that country to effect an accommodation with the Soviet Bloc.

"g. Add substantial manpower, military equipment, technical skills, and industrial capacity to the Soviet Bloc.

"h. Make possible Communist control of Italian Somaliland."

2. Delete the first two sentences of paragraph 12 and substitute the following:

"12. While Italian forces cannot be expected to make any substantial contribution to the defense of Europe outside Italy itself, they are expected to develop the capability, when supported by naval and air forces of the other Western Powers, of protecting the southern flank of Allied Forces Central Europe and, in conjunction with the Yugoslavian forces, of defending the western flank of Allied Land Forces Southeastern Europe. Additionally, the Italian peninsula and Sicily constitute an area of great strategic importance as a base area for the air and naval forces of other NATO nations. Furthermore, the heavy industry and the oil refining facilities of Italy have been rehabilitated to the point that they can now not only meet the needs of the Italian armed forces but, through the cross-servicing system, help to fulfill the matériel requirements of the armed forces of other NATO countries."

. . . . . .

5. Revise the staff study accompanying NSC 5411 as appropriate in order to bring the evaluation of the strategic importance of Italy into consonance with the changes suggested above.

No. 773

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 190th Meeting of the National Security Council on Tuesday, March 25, 1954 [1]

TOP SECRET EYES ONLY

Present at the 190th Meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; the Acting Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Acting Chairman, Atomic Energy Commission (for Item 5); Mr. Slezak for the Secretary of the Army, the Secretary of the Navy, and the Acting Secretary of the Air Force (for Items 3, 4 and 5); the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Air Force, and the Commandant, U.S. Marine Corps (for Items 3, 4 and 5); the Director of Central Intelligence; Mr. Cutler and Mr. Jackson, Special As-

[1] Drafted by Deputy Executive Secretary Gleason on Mar. 26.

sistants to the President; the Deputy Assistant to the President; Mr. Robert R. Bowie, Department of State; Brig. Gen. Barksdale Hamlet, Department of Defense; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

Following is a summary of the discussion at the meeting and the chief points taken.

[Here follows discussion of items 1–5.]

6. U.S. Policy Toward Italy (NSC 5411;[2] Memo for NSC from Executive Secretary, same subject, dated March 24, 1954[3])

After Mr. Cutler had thoroughly briefed the Council on the content of the draft policy paper and staff study on Italy, he pointed out the lengthy comments of the Joint Chiefs of Staff which had only been received late on the previous afternoon. They had two main areas of criticism of the present draft. In the first place, they believed that the report did not give sufficient emphasis to the strategic importance of Italy in the defense of Western Europe. Secondly, they felt that the courses of action proposed in the present draft to meet the contingency of a legal take-over of Italy by the Communists, did not really face up to the grave problem which would be presented by such a take-over. As for the remaining points raised by the Joint Chiefs of Staff, Mr. Cutler suggested that nearly all could be accepted by the Planning Board with the possible exception of the JCS proposal as to the effect on Yugoslavia of the loss of Italy to Communism. Mr. Cutler then called upon Admiral Radford to discuss the main objections of the Joint Chiefs of Staff to the present paragraphs 1, 12 and 31.

Admiral Radford explained that the Joint Chiefs had gone to unusual lengths in their criticism of this report. They were not only moved to do so because of their anxiety over the possibility that Italy might go Communist, but also because they believed that the Italian policy paper overlooked the importance of Italy in the context of a larger area. Furthermore, in several instances, of which the Italian paper was one, the Joint Chiefs did not believe that the policy statements faced up to all the unpleasant contingencies which faced the United States. That is, said Admiral Radford, some of our papers simply don't answer the 64-dollar question of what the United States is prepared to do in the event of a Communist take-over of important democratic states. A Communist take-over of Italy, continued Admiral Radford, might very well destroy the whole NATO strategy. In general, said Admiral Radford, it seemed to the Joint Chiefs that the United States had about reached the

[2] See Document 769.

[3] Reference is to the memorandum transmitting to the NSC the Mar. 23 memorandum from Radford to Wilson, *supra*.

point, with respect both to Europe and to the Far East, where it must decide to take much greater risks if it was to be successful in retrieving the situation and preventing further dangerous advances by the Communist bloc. . . .

. . . . . .

Secretary Wilson attempted to point out his own view that we were not spending our money in Italy very wisely, but the President interrupted him and suggested that in the first instance the Council should listen to the Secretary of State, in whose bailiwick the issue raised by Admiral Radford clearly belonged.

Secretary Dulles, referring to the position taken by the Joint Chiefs of Staff in their paragraph 8 with regard to the necessity for the United States to take greater risks of being involved in global war to stem the growing power of the Soviet bloc, stated that the Joint Chiefs had raised a most significant issue and had provided a most significant statement of proposed U.S. policy. In many respects, Secretary Dulles said, he was disposed to subscribe to their position, but it was necessary to consider various qualifications and difficulties. There was not a single other country in the world ready at the present time to join us in carrying out the recommendation of the Joint Chiefs of Staff. Therefore, before we could possibly apply this recommendation to any specific country or locality, there was an immense educational job to do to induce both our allies and our own people to understand the reasons which invited us to assume greatly increased risks of becoming involved in general war rather than to see other portions of the free world fall into the Soviet orbit. As a specific example of the point he was making, Secretary Dulles referred to the British attitude of appeasement toward the Communists in Southeast Asia despite their concern for Malaya, which was the best revenue-producing area in the British Commonwealth. In summary, Secretary Dulles described the Joint Chiefs of Staff statement as something to work forward to rather than to accept at the present time, since it would require a backing from the people and the Congress of the United States and from our allies which it does not now have.

The President expressed agreement with the point of view of the Secretary of State, and said that if the United States alone attempted to carry out this recommended course of action, we would at once lose every ally we had. The problem therefore needed a great deal of thought.

The Vice President commented that while he realized the force of the arguments advanced by Secretary Dulles, it was nevertheless wise to look at the other side of the coin. If we only follow those

courses of action that our allies and a badly-informed American public permit us to follow, we will ultimately be completely lost.

. . . . . .

The President then reverted to the question which had been asked by Secretary Wilson, the answer to which had been interrupted by the President's desire to hear Secretary Dulles' views. Secretary Wilson then explained that he intended to suggest, by his questioning of the wisdom of the way we were spending our money in Italy, that if Italy were to go Communist by legal means all the vast store of military supplies which we had poured into Italy would be added to the supplies of the enemy. Accordingly, he recommended a "real fresh look" at what the United States was doing in Italy.

The National Security Council:

a. Discussed NSC 5411 in the light of the views of the Joint Chiefs of Staff contained in the reference memorandum, and comments by the Secretary of State.

b. Referred NSC 5411 back to the NSC Planning Board for reconsideration in the light of the above discussion.

[Here follows discussion of other items.]

No. 774

765.00/4–854

The Ambassador in Italy (Luce) to the Under Secretary of State (Smith)

TOP SECRET ROME, April 8, 1954.

DEAR BEDELL: Enclosed is a copy of the memorandum of conversation I had with Mr. Scelba, ... You will see that it reflects some of the old De Gasperian approach to the Italian Communist situation. I think it is plain from this conversation that Scelba is going to try to keep a number of balls up in the air at once—E.D.C., Trieste, our Offshore policy, economic aid, etc.—and for that reason will not concentrate on the CP problem. Nevertheless, the fact remains that in this field he has proposed—and is trying to do—far more to join the issue with Togliatti than De Gasperi did. At least, that is the Embassy's point of view at this time.

Meanwhile I know the Department is aware as we are that the ratification of E.D.C. is Italy's only carrot, and that the Italian Government will most certainly try not to give it away as long as there is a chance it can be effectively dangled for the Trieste quid.

We shall do all we can here to keep them, in their own best interests, as well as ours, from doing so, especially as to do so at this time would imperil the outcome of the London talks. [1]

Secondly, as we told the Department in January, our attempt to put through a firm Offshore policy has been met by the combined resistance of the Government, industry, *and* the pro-Cominform press. I fear we shall also soon be told that a combination of that policy will also endanger EDC.

Unless the "agonizing reappraisal" is soon begun in Washington which might really scare the Italians back into line, I increasingly wonder whether we will be able to hold it here.

Cordially,

CLARE LUCE

[Enclosure]

Memorandum of Conversation, by the Ambassador in Italy (Luce)

SECRET ROME, April 8, 1954.

On Monday, April 5 I had an hour's interview with Prime Minister Scelba during which he made the following points:

Normalcy is returning to Italy. Scelba's Center coalition government is now reasonably stable. The parties are rapidly regaining the confidence of the people.

There is now no reason to suppose the Government will fall, but if it did elections would be necessary, as the attempt to reform a government including the Monarchists at this time would signal the collapse of Italian Democracy. Any opening to the Monarchist Right continues to be both unnecessary and impossible politically, although the door is being left open to the Monarchists at all times to collaborate with the Center parties. The Monarchists are slowly coming around anyway to the position of cooperating with the coalition, especially on decisive issues. They are also offering their help these days to the Prime Minister. He accepts it with thanks, but doesn't "act too eager."

The great majority (70) the Government got on the vote on the Montesi scandal [2] proves that the anti-Communist elements in

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[1] Reference is to the talks in London aimed at a settlement of the Trieste issue.

[2] On Apr. 11, 1953, a young woman, Wilma Montesi, was found dead under mysterious circumstances on a beach near Ostia. Her death became the object of widespread national attention early in 1954 when charges were made which implicated prominent Italian figures, including the son of Foreign Minister Attilio Piccioni. In March 1954 the parties of the Left called for the resignation of the Scelba govern-

Continued

Italy can always be counted on to hold together when any vital issue faces Italian Democracy. What is needed now is for the Government to proceed with an effective program of economic action to better the living and working conditions of the people. Action against the Communists has been proposed, and is being undertaken, but it must be undertaken with caution and prudence. Moreover, it will take time, owing to the slowness of the judiciary processes in Italy. It is very difficult to come to grips with the Communists in the courts. For example, *Paese Sera*, which is read by the *bourgeoisie*, and has a very great effect on the public opinion, publishes outrageous libels daily. The only recourse is to prosecute libel action in the courts, but the courts move so slowly that such actions are not very effective. What is necessary, first, is to form anti-Communist public opinion by means of both Government and party action (more paid activists, capillary action, etc., etc.) Especially there is needed a very large propaganda effort to match the great propaganda effort of the Communists. And all this takes a great deal of money. It is not enough, for example, to control East-West trade (in order to deprive the CP of its rake-off). Through Switzerland, the Kremlin is pouring in vast sums that cannot be "trapped" by the Government in any known way. The U.S.A. simply does not understand that the parties and Government do not have the means to match such sums. This is a very great danger. It would be a great mistake to initiate forceful methods against the CP if public opinion had not been fully formed.

The Prime Minister, having discussed at considerable length the great danger of Communism, and the difficulties of combatting it, then made the following somewhat contradictory points: America has greatly exaggerated the danger of Communism, in view of the fact that there are in reality only six million Communist voters in Italy. But the U.S. press has told Americans "Italy is lost," and this has had very unfortunate results.

Here I entered a denial, saying that with a single exception, an article by Henry Taylor, no American journalist had ever pro-

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ment and demanded a parliamentary inquiry into the affair. Scelba responded by appointing the President of the Liberal Party, Raffaelo De Caro, to conduct a special investigation. In telegram 2760 from Rome, Mar. 16, 1953, the Embassy called the Montesi affair "perhaps the greatest political scandal" since the Matteotti affair of 1925. (765.00/3-1654) Background information on the Montesi case was provided in telegram 2760 as well as in despatch 1801 from Rome, Mar. 17, 1954. (765.00/3-1754) Throughout the remainder of the year the Embassy in Rome regularly reported on developments in the Montesi case in the Joint Weekas, weekly summaries of important political and economic events, which are in file 765.00(W). The reference here to the vote on the Montesi scandal was presumably to the vote of 270 to 198 on Mar. 23 whereby the Chamber approved a government motion to defer debate on the Montesi case until July 1. This vote and other developments in the case were described in telegram 2909 from Rome, Mar. 24. (765.00/3-2454)

claimed that Italy was lost, but had merely emphasized the danger if proper steps were not taken—which was exactly what the Prime Minister had himself just been saying. I then said that the Italian non-Communist press itself is far more alarmist than the U.S. press. Mr. Scelba replied that it is important for the U.S. press to distinguish between the truth (that the danger is not very great) and what the Italian press says (that it is) in order to stir its own people to action. "The truth is," Mr. Scelba said, (and I now quote exactly), "if Communism increases only at its present rate in Italy, even though nothing more is done than has already been done, it will be 25 years before the Communist Party can win enough votes to take over the Government."

. . . . . .

Mr. Scelba then brought up the question of Trieste. Here he became quite impassioned and vehement. Italy's minimum terms in the Trieste question were all well known. Indeed, all the elements of the FTT question were known. There is no need for Italy to explain her position any further. Italy can not be expected to pay any more reparations, make any more sacrifices, financial or territorial, than were envisaged by October 8th. Italian public opinion is growing increasingly anti-American and anti-British because of our failure to keep our word on, first, the 1948 Declaration and now, on the October 8th Decision. The situation is growing hourly more dangerous in Trieste itself. He described the unfortunate conditions there at some length. He then launched into a bitter denunciation of the policies of General Winterton which are continuing to aggravate this potentially explosive atmosphere in Trieste. All this (he said) has given the Communists a tremendous weapon against the Government. It is all but impossible to ratify EDC until there is a clarification of the Trieste question. If the U.S.A. wishes Italy to make real progress against the CP, and on other U.S. programs (Facilities, and SOF), Trieste will have to be settled. Meanwhile, Mr. Scelba and his ministers were striving to make as much progress as they could in all these matters, in the present difficult circumstances.

Conclusion:

(1) I got the distinct impression that Mr. Scelba was either getting set, or was being pressured to "ride" the Trieste issue publicly, partly in order to gain popular support, and partly to "squeeze" the U.S.A. for a rapid solution, in exchange for ratification of EDC.

(2) Mr. Scelba believes that the introduction of EDC plus his present anti-Communist program and the measures taken so far to

implement it are sufficient warrant of the Government's intentions in this regard, ...

No. 775

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 193d Meeting of the National Security Council on Tuesday, April 13, 1954 [1]

TOP SECRET EYES ONLY

Present at the 193rd Meeting of the Council were the President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Secretary of Defense; the Acting Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (for Items 1 and 2); the Director, Bureau of the Budget; the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Mr. Cutler, Special Assistant to the President; the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

The following is a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of items 1–4.]

5. U.S. Policy Toward Italy (NSC 5411 [2] and 5411/1; Memo for NSC from Executive Secretary, same subject, dated April 6, 1954 [3])

Mr. Cutler recalled the Council's previous action in returning NSC 5411 to the Planning Board. [4] The Planning Board had now submitted its revised report. It had adopted some of the revisions proposed by the Joint Chiefs of Staff and had rejected others. With respect to paragraph 1-b, Mr. Culter called on Admiral Radford to comment on the JCS proposed revision. Admiral Radford replied that this revision spoke for itself. Secretary Smith commented that while he did not mean to be offensive, he thought that the JCS criticism of the Planning Board draft was about as delicate a collection of nit-picks as he had ever seen. The State Department was perfectly willing to accept all but one of the proposals made by the Joint

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[1] Drafted by Deputy Executive Secretary Gleason on Apr. 14.

[2] See Document 769.

[3] Neither printed. (S/S–NSC files, lot 63 D 351, NSC 5411 Series)

[4] This action is described in Document 773.

Chiefs for changing paragraph 1. They could not agree, however, with the JCS revision of paragraph 1-e, which stated that the loss of Italy might require the abandonment of the present NATO strategic concept.

• • • • • • •

Secretary Smith then said he wished to take the occasion of this discussion of Italian policy, to bring up an important issue with respect to the Trieste negotiations. These had now reached a point where a settlement by Easter seemed possible. The Yugoslavs have come an enormous distance toward accepting reasonable terms. They had one sticking point: reparations from Italy. For the present they are demanding $50 million, which the Italians are violently rejecting. Secretary Smith said that the State Department felt that the $50 million figure was only a bargaining point, and that the Yugoslavs might well ultimately settle for $40 or even $30 million, probably in the form of goods. Accordingly, Thompson wants authority to go to the Italians and tell them that we will provide $20 million of extra economic assistance in return for their agreement with the Yugoslavs. Secretary Smith pointed out that if we could get this agreement on Trieste, Prime Minister Scelba will push at once for Italian ratification of EDC. . . .

The President stated that he was in hearty agreement with Secretary Smith's proposal if the $20 million could be found. The Acting Director of FOA, Mr. Rand, stated that he thought FOA had the money this morning, although M. Monnet might well have got it by this afternoon. The President answered that it must be found somewhere. Settlement of the Trieste issue might change the whole situation in Europe.

The National Security Council:

a. Adopted the statement of policy contained in NSC 5411/1, subject to the following changes:

(1) *Paragraph 1-b:* Insert the word "Possibly" at the beginning, and delete the brackets and the footnote to which they refer.

(2) *Paragraph 1-e:* Delete the words within the brackets and the footnote thereto.

(3) *Paragraph 1-f:* Delete the brackets and the footnote to which they refer.

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b. Agreed that the Department of State and the Foreign Operations Administration should be authorized to offer to make available to Italy additional economic aid approximating $20,000,000, be-

ginning in Fiscal Year 1955, if needed to secure agreement on a Trieste settlement.

Note: NSC 5411/1, as amended, approved by the President, referred to the Operations Coordinating Board as the coordinating agency designated by the President, and circulated as NSC 5411/2. The action in b above subsequently transmitted to the Secretary of State and the Director, Foreign Operations Administration.

No. 776

S/S–NSC files, lot 63 D 351, NSC 5411 Series

Statement of Policy by the National Security Council [1]

TOP SECRET
NSC 5411/2

[WASHINGTON,] April 15, 1954.

U.S. POLICY TOWARD ITALY

GENERAL CONSIDERATIONS

1. The "cold war" loss of Italy to Communist control would result in profound political, psychological and military damage to the free world. Such a loss would:

a. Be a clear defeat of Christian-European ideology by Soviet-Communist ideology at the historic seat of the Roman Catholic church; and place behind the Iron Curtain a country whose cultural and historical influence has played a great part in the development of Western civilization.

b. Possibly strike a damaging blow to the national will of anti-Soviet and so-called neutral countries to resist Communism, and to the hopes of the peoples of Satellite countries for ultimate liberation from the Soviet yoke.

c. Reduce appreciably the total available NATO defense forces, and deprive the NATO of industrial capacity capable of assisting in meeting the needs of the armed forces of other NATO countries.

d. Deprive the Allied Powers of strategically important air and naval bases from which to support NATO ground forces in south-

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[1] In an attached note of Apr. 15 to the NSC, Executive Secretary Lay summarized the decisions of the NSC at the meeting of Apr. 13 and stated the following: "The President has this date approved the statement of policy contained in NSC 5411/1, as amended and adopted by the Council and enclosed herewith; directs its implementation by all appropriate executive departments and agencies of the U.S. Government; and designates the Operations Coordinating Board as the coordinating agency. The Financial Appendix enclosed in NSC 5411/1 and the NSC staff study enclosed in NSC 5411 (revised to reflect changes in the statement of policy) are also transmitted herewith for Council information. Accordingly, NSC 67/3 is hereby superseded." The 6-page Financial Appendix and the 35-page Staff Study are not printed.

ern Europe, to support the over-all air offensive, and to defend sea and air lines of communication in the Mediterranean area.

e. Require drastic revision of the present NATO strategic concept for the defense of Europe, because of the pivotal geographic location of Italy in the NATO defense perimeter and the commanding position of the Italian peninsula and Sicily with respect to the Mediterranean.

f. Seriously impair Yugoslavia's over-all capability of contributing to Western defense, and greatly increase the pressure on that country to effect an accommodation with the Soviet Bloc.

g. Add substantial manpower, military equipment, technical skills, and industrial capacity to the Soviet Bloc.

h. Make possible Communist control of Italian Somaliland.

2. Up to the election of 1948, grave danger existed that Italy would fall under Communist domination. In these elections, Communism was rebuffed and a Center government established, due in part to large-scale economic aid and firm moral support from the United States.

3. From April 1948 to June 1953, Italy under de Gasperi made progress on many fronts. Communist control of the labor movement was diminished by the growth of non-Communist labor federations. With large-scale American aid, the economy improved. Production and the real wages of those employed rose well above prewar levels. Steps to meet basic problems were initiated in such fields as tax reform, land reform and a program for southern development.

4. Despite these advances, however, grave problems have persisted. Italy, poor in most raw materials, has one of the highest densities of population in Europe. Tax and agricultural reforms and the southern development program have proceeded slowly. Per capita income is low, and there are wide discrepancies in standards of living. About 20 per cent of the labor force is unemployed or underemployed. Labor disputes have continued. Basic feelings of insecurity among the workers and long-entrenched popular sentiments of anti-clericalism and anti-governmentalism are important political factors. The resulting pessimism and cynicism about Italy's future have made a substantial part of the Italian population a fertile field for Communism and intensified authoritarian tendencies.

5. The Communists have built up over many years an effective machine of subversion reaching down to the block and village level. Italy has the largest Communist Party outside the Soviet Bloc; the Communists and their allies, the Nenni Socialists, together control about 35 per cent of the vote. There is a distinct trend on the part of the labor and lower middle classes from the Center to the pro-Communist Left, which is the principal force of opposition to the Government. Popular support for the Communists has been fur-

thered, and strong action by the Government has been made politically difficult, by relatively moderate "popular front" tactics, the Soviet peace campaign, popular acceptance of the Communist Party as a legitimate organization, and disunity among its opponents.

6. Since 1948 the Center government has been outspoken in its anti-Communism, improved its internal security forces and reacted vigorously to Communist threats to public order, but it has failed to discredit Communist appeals or take adequate steps to undermine the vast Communist organization. This inadequacy has in turn strengthened the forces of the Right.

7. Before the 1953 election, Italy under de Gasperi and Sforza collaborated closely with the Western Powers, particularly the United States; gave vigorous support to NATO, and early assumed a position of leadership in the movement for European integration, motivated not only by long-range security considerations but by hope that through European unity its economic and political problems might be alleviated.

8. Italian domestic progress and international cooperation have now been jeopardized as a result of the 1953 election. The previously firm governing majority of pro-Western parties has been replaced by an unstable situation in which it is very difficult for the Christian Democrats to form a viable government. If present conditions continue, there is grave danger that a succession of weak governments will increasingly discredit the Center and strengthen the Right and Left extremes. However, the Communists and Nenni Socialists are unlikely to obtain power within the next two years.

9. Italy's value to the West would be appreciably lessened under rightist or authoritarian regimes. Although a moderate rightist government would probably continue cooperation with the West, its domestic policies might aggravate internal frictions and ultimately strengthen the Communists. An extreme rightist government would be almost certainly authoritarian, probably ultra-nationalist and opposed to European unity, and possibly neutralist. However, even a right-wing authoritarianism would be far less dangerous than a Communist regime.

10. In this situation it is clearly in U.S. interests to give maximum feasible support to a reinforcement of center strength as broadly based as is consistent with implementation of the reforms necessary to improve basic social and economic conditions in Italy.

11. During the last five years, our policy of seeking to integrate Yugoslavia into the Western alignment has, in the absence of a Trieste settlement, placed severe strains upon our relations with Italy. The Italians maintain that our policy has improved Yugoslavia's bargaining position and diminished its readiness to agree

to a compromise solution on Trieste. This situation has delayed parliamentary consideration of EDC and negotiations on NATO facilities in Italy for U.S. use. An early Trieste solution of a kind in which the Italian Government can acquiesce is important to popular confidence in any government based on the Christian Democrat Party, and essential to achievement of Italo-Yugoslav defense collaboration.

12. While Italian forces cannot be expected to make any substantial contribution to the defense of Europe outside Italy itself, they are expected to develop the capability, when supported by naval and air forces of the other Western Powers, of protecting the southern flank of Allied Forces Central Europe and, in conjunction with the Yugoslavian forces, of defending the western flank of Allied Land Forces Southeastern Europe. Additionally, the Italian peninsula and Sicily constitute an area of great strategic importance as a base area for the air and naval forces of other NATO nations. Furthermore, the heavy industry and the oil refining facilities of Italy have been rehabilitated to the point that they can now not only meet the needs of the Italian armed forces but, through the cross-servicing system, help to fulfill the matériel requirements of the armed forces of other NATO countries. Italian forces can be expected to fight effectively if at the outbreak of hostilities the United States is able, through NATO or directly, to provide effective leadership and support.

OBJECTIVE

13. An Italy free from Communist domination or serious threat of Communist subversion, having a constitutional, democratic government and a healthy self-sustaining economy, and able and willing to make important political, economic and military contributions in support of the free world coalition.

COURSES OF ACTION

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Italian Collaboration in the Free World

27. As long as Italy continues to meet its defense obligations to the West, continue appropriate military assistance toward equipping and maintaining currently-agreed Italian forces.

28. Acting whenever appropriate with the support of or in concert with other friendly governments:

a. Support Italian participation in the movement for European integration and encourage Italy to reassume a primary role in this movement.

b. Promote strengthened Italian political, economic and military collaboration with the United States and Western Europe through such organizations as NATO, OEEC, CSC and EDC.

c. Seek to persuade the Italian Government that it is in the best interest of Italy to ratify EDC promptly.

d. Encourage the Italian Government to fulfill its NATO commitments for combat-effective forces, and to this end to maintain its defense spending consistent with its economic capabilities.

e. Continue, as appropriate, attempts to obtain Italian admission to the UN.

f. Continue efforts to bring about an Italo-Yugoslav *rapprochement*, particularly through an early solution of the Trieste problem of a kind which would make such a *rapprochement* possible.

Future Contingencies

29. In the event of an external attack against Italy, the United States should make such use of its military power as it may agree to be necessary under Article V of the North Atlantic Treaty.

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No. 777

611.65/5-1454

The Secretary of State to the Director of the Foreign Operations Administration (Stassen)[1]

TOP SECRET WASHINGTON, May 14, 1954.

DEAR MR. STASSEN: In my brief meeting with Prime Minister Scelba in Milan on May 3,[2] he referred to an alleged promise on our part to give additional economic aid to Italy and in this connection asked that a mission of technical experts be sent to Italy to recommend measures for the transformation of the Italian economy. I enclose a copy of the message from Rome reporting on this conversation (Rome's telegram 3514, May 4, 1954)[3] and a copy of the informal note which Scelba left with me on May 3.

Prime Minister Scelba's reference to a further aid program left all of us puzzled and since our return we have made a search of the various communications to Mrs. Luce and to Scelba himself to ascertain on what message or passage Scelba's misunderstanding

[1] Drafted by William E. Knight and cleared with Jones, Freund, Moore, and Collins.

[2] At the invitation of Prime Minister Scelba, Secretary of State Dulles routed his return trip from Geneva to Washington through Milan where he met with Scelba for about two and a half hours at a villa near the Milan Malpensa Airport. Other participants in the meeting were Luce, Merchant, Durbrow, and Engle for the United States, and Piccioni, Zoppi, and Canali for Italy. The majority of the conversation dealt with Trieste.

[3] Not printed here.

might have rested. We have concluded that the only passage which might possibly explain his misunderstanding is a paragraph in the letter which I sent to Mrs. Luce on January 14 [4] in accordance with the decision of the group which met in my office on January 2, 1954 [5] in which you participated. I am enclosing also a copy of that letter. Under instructions, Mrs. Luce showed this letter to Premier Scelba and to others in the Italian Government. You will note that the third paragraph reads as follows:

"I am confident that the Communists' power in Italy could be significantly reduced by full and effective use of existing political instrumentalities. If this could be done, and if the Italian people and Government could decisively reverse the present dangerous trend and reject Communism, the President has indicated that he would, in recognition of Italy's grave problems, be prepared to support a special aid program for Italy."

The reference to the special aid program stemmed from a statement made by the President to Mrs. Luce on the occasion of Mrs. Luce's visit. However, I would point out that my letter refers to the possibility of such a program only following a decisive reversal of the present dangerous trend and following a rejection of Communism. We could not, of course, know whether the trend had in fact been reversed until new political tests of strength had arisen to make this clear such as, for example, new elections. We are happy, of course, about any Communist measures the Italian Government has initiated and hope they will be implemented fully.

I would appreciate your views regarding Premier Scelba's proposal for a technical mission to go to Italy. I am inclined to the opinion that sending such a mission at the present time would risk further misleading Scelba as to our intentions regarding aid. There have been various special studies of the Italian economy in the past and by launching another, we might indirectly seem to be committing ourselves to help defray the cost of any recommendations that might result from the study. We may wish, however, to avoid appearing to Scelba entirely negative toward his requests.

If it should develop that this question has already been discussed with the Italians by Embassy or FOA personnel in Rome and if we should decide to make some gesture of accommodation to Scelba's suggestion, we might ask USRO and our missions in Rome to make a special report with recommendations to you and to me.

Sincerely yours,

JOHN FOSTER DULLES

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[4] Not printed. (765.001/1–1454)

[5] A memorandum of this conversation is in Secretary's Memoranda of Conversation, lot 64 D 199, "January 1954".

[Enclosure]

Informal Note From Prime Minister Scelba to the Secretary of State

Assistance required for Italy's economic development effort

The essence of Italy's political and economic problem is the need to maintain the rate of economic development attained during the last few years and particularly (as amply shown in international documentation) in 1953. If the effort to develop the country's depressed areas were to suffer a set-back, the political situation would be gravely endangered.

To offset such a danger it is imperative that for a number of years Italian capital availability continue to be supplemented by means of foreign capital, from both private and public sources.

With regard to the former, Italian legislation in favour of foreign private investment in the country is now in the process of being modified in the sense of maximum liberalisation.

With regard to public sources of capital, the need is apparent that the United States Government, either directly or through such international agencies as NATO, the Export-Import Bank, OEEC and the IBRD, take Italy's case into special consideration and ensure such provisions as would enable the country to develop the programmes currently under way, at the maximum rate which it is possible to achieve and with a reasonable certainty of completing them.

Were the United States Government to devote some attention to the matter and arrange a meeting at high level of American and Italian experts within the next few months, there is confidence here that ample evidence could be provided of the correct evaluation of the Italian economic problem and the sound basis of the approach to its solution, and hence of the political expediency of supporting the development effort with the utmost urgency.

MILAN, 3 May 1954.

P.S. The most recent examination of Italian problems has been made within the last few days at the OEEC in Paris, in the presence of Dr. Neil H. Jacoby, Member of the Council of Economic Advisers.

No. 778

765.5 MSP/5–1854

The Director of the Foreign Operations Administration (Stassen) to the Secretary of State

TOP SECRET WASHINGTON, May 18, 1954.

DEAR MR. SECRETARY: Responding to your letter of May 14th [1] regarding the Italian program, may I make these suggestions.

It is my view that if the Italian Government takes effective measures against communism within Italy in harmony with United States policy, and if these measures include some expanded internal consumption, particularly in the south of Italy, the United States should be prepared to grant additional economic aid in the form of surplus agricultural commodities, particularly cotton.

Italy is a large importer of cotton and does have the foreign exchange with which to purchase her normal needs. We have a very large supply of cotton and could easily meet an expanded requirement out of an agricultural surplus program. Something of a magnitude of $15 or $20 million might be involved per year.

Italy produces substantially her entire food requirements, and exports fruits and special agricultural products. If a large expansion of consumption in the south of Italy were undertaken, however, additional imports of wheat and fats from United States stocks could be used.

It would be my view that another United States survey mission to Italy would not be wise and might be misinterpreted. On the other hand, we have endeavored to stimulate an interest by the major European countries in Italian development, particularly in the south. In the OEEC experts' discussions and through Italian Minister Vanoni's presentation to the OEEC sessions, some of this interest was demonstrated. Thus, it would be constructive if Italy would receive an OEEC development technical mission and if OEEC would send such a mission. The United States could have a strong member on such a mission. Switzerland, Germany, The Netherlands, and the United Kingdom should also be represented.

Such a mission might well lead to increased credit participation by Europe in Italian development and increased two-way trade with the south of Italy.

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[1] *Supra.*

If you think well of this, we could have appropriate joint State-FOA messages go to our Italian Mission and our USRO Mission to effectuate this program. [2]

Sincerely yours,

STASSEN

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[2] Stassen gave this letter personally to Dulles the following day. Dulles' memorandum of their conversation, dated May 19, indicates that he did not urge any special economic aid to Italy "at this time" although Stassen said a small quantity of cotton might be available. Dulles indicated that he thought Stassen's proposal for an OEEC mission to Italy rather than a U.S. technical mission seemed "a proper way of handling the matter." (765.5 MSP/5-1954) In telegram 396 from Rome, July 30, Durbrow reported that, in accordance with instructions from the Department of State, he called on Scelba earlier in the day and gave him an *aide-mémoire*, which indicated that the United States, in light of a recent OEEC meeting at which the members had responded favorably to a proposal that an OEEC technical mission be sent to Italy, would support and participate in such a mission to survey economic development in southern Italy. Durbrow emphasized to Scelba that U.S. participation in the mission would not imply any commitment for further economic aid based on the recommendations of the mission. Scelba replied that the OEEC mission was not exactly what he had in mind, but that he would give serious consideration to the idea. (765.5 MSP/7-3054) A copy of the *aide-mémoire* given to Scelba was transmitted to the Department of State as an attachment to despatch 210 from Rome, Aug. 2. (765.5 MSP/8-254)

No. 779

Italian-Austrian Desk files, lot 58 D 243, "103 NSC 1954"

William E. Knight of the Office of Western European Affairs to the Political Officer in Italy (Williamson) [1]

TOP SECRET
OFFICIAL–INFORMAL

[WASHINGTON,] May 20, 1954.

DEAR FRANCIS: I want to take the advantage of a relatively quiet moment to reply at last to your letter of March 15 [2] regarding the draft NSC paper. I was on leave from March 17–29 but aside from that, as I hope you have guessed, your letter arrived just too late to have anything done about it. The Council itself met on the draft on March 25 and sent the paper back for revision of a few specific points. It eventually gave its final approval on April 13. [3] I hope that some of your points and Henry Tasca's (for example, leaving the way open to aid in the future) were met at least in part in the final draft. I think the redraft of the economic and social section was excellent and am sorry the time element frustrated its conclu-

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[1] Cleared with Freund.

[2] Document 771.

[3] See Documents 773 and 775.

sion. At any rate the Staff Study is of somewhat less significance than the section on courses of action, as you know.

I agree with you that we should have brought out the point about the electoral legislation, but I don't quite see how, as things developed, the new law would have changed the situation radically even if the center had won 51% in the Chamber. Since the Senate would not have been affected I have always thought that calling the Senatorial elections was one of De Gasperi's big mistakes. It completely eliminated the possibility of accomplishing anything spectacular through the new law. Seemed to me it would have been more logical to carry through in the Chamber, get an overwhelming majority there, and then extend the law in some form to the Senate in time for the elections there.

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With all best wishes and my regards to everyone.

Sincerely,

WILLIAM E. KNIGHT

No. 780

Editorial Note

Shortly after her return to the United States at the beginning of July, Ambassador Luce came to Washington for meetings with various United States Government officials.

A memorandum of July 5 from Merchant to Murphy indicated that Luce planned to be in the Department of State July 6–9 and that the following appointments had been arranged for her: John Foster Dulles, July 6 at 2 p.m.; Scott McLeod, July 6 at 3 p.m.; Walter Bedell Smith, July 7 at 10:30 a.m.; Robert Murphy, July 7 at noon; Acting Secretary of Defense Robert K. Anderson, July 7 at 4 p.m.; Director of the United States Information Agency Theodore Streibert, July 8 at 10:30 a.m.; Allen Dulles, July 8 at 3 p.m.; and Harold Stassen, July 8 at 4:30 p.m. Attached to this memorandum was a briefing paper covering various subjects, including Trieste, anti-Communist measures through NATO, and the OSP and F–86–K programs, among other subjects, that Luce was expected to raise in her meeting with Murphy. (611.65/7–554)

A note in Secretary Dulles' appointment book showed that Luce met with him at 2:13 p.m. on July 6 and that they were joined by Smith at 2:40. The ensuing discussion lasted approximately 30 min-

utes. (Princeton University, Dulles papers, "Appointment Book") No record of the substance of these conversations has been found in Department of State files. No record has been found in Department of State files of the substance of Luce's scheduled conversations with McLeod, Anderson, and Allen Dulles. Memoranda of conversations she had on July 9 with Streibert and with Nedville E. Nordness, Assistant Director for Europe, United States Information Agency, are in Italian Desk files, lot 57 D 56, "705—USIE & VOA". The only record relating to her scheduled meeting with Stassen was a briefing paper of July 6, prepared for Stassen by D. A. FitzGerald. (DMS files, lot W-1444, "Italy, 1954")

No. 781

Italian Desk files, lot 57 D 56, "131.02—Italian VIP Visits to US"

Memorandum of Conversation, by V. Lansing Collins of the Office of Western European Affairs

CONFIDENTIAL WASHINGTON, July 9, 1954.

Subject: Visits of Prominent Italians to the United States.

Participants: Clare Boothe Luce, American Ambassador to Italy
Mr. John W. Jones—WE
Mr. Richard B. Freund—WE
Mr. William E. Knight—WE
Mr. V. Lansing Collins—WE

Ambassador Luce opened the conversation by pointing out the necessity for timing the visit of Signor Taviani, [1] Minister of Defense, so that he could take something back with him to Italy, preferably something which we would have to give to the Italians anyway. Mr. Jones agreed and indicated that Defense is looking for

[1] In a letter of Apr. 20 to Under Secretary Smith, Luce urged that leading personalities in the Italian Government and other prominent Italians, particularly Taviani, Fanfani, and Pella, be invited to the United States "so that they may see with their own eyes the tremendous thing America is, and hear with their own ears the great ideas, ideals and policies we stand for." She stated that she had been informed that "reports from the Italian Embassy in Washington do not always reflect current American realities, and that the Government continues to be informed on the one hand that America will dish out dollars to Italy every time there is a crisis, no matter how they drag their feet, and on the other, if they refuse to do so, they are 'going isolationist.' " The visits, in her opinion, would help dispel such ideas. She also stated her belief that the visits would help combat the trend toward neutralism in Italian foreign policy. (Luce papers, lot 64 F 26, "Correspondence & Miscellaneous 1954")

a suitable occasion and suitable timing. Mrs. Luce added that Mr. Tasca felt very strongly that Signor Vanoni ought to be brought over on some kind of official business now. Mrs. Luce also added that she was very keen on having Signor Fanfani brought over to the United States for an official visit and thought that something like the *Herald Tribune* Forum would be the proper occasion. She pointed out, however, that Signor Fanfani speaks no English and that, consequently, he might be accompanied by someone like Malagodi who speaks English excellently. She offered to approach Helen Reid and ask the *Herald Tribune* to invite him. She also mentioned the possibility of using the forum of the *Philadelphia Bulletin*. [2]

Mrs. Luce also suggested that Vigorelli be brought over and thought that maybe Mr. Stassen could find something for him to do. However, she noted that the value in bringing Italians to the United States was mostly to speed up or sharpen the attitudes of those favorably inclined and that in Vigorelli's case more harm than good might be done as he might be "speeded up" in the wrong direction. The names of Signors Benevenuti, Matteotti and Saragat were also mentioned with the emphasis on the last. It was suggested that the A.F. of L. or C.I.O. would be the most likely primary host for Saragat. Likewise, it was suggested that the Sons of Italy might be able to do some inviting of prominent Italians.

Lastly, it was determined that if the Trieste question were settled and EDC ratified, Minister Scelba should be invited. Mrs. Luce promised to plant the idea with President Eisenhower when she saw him at the end of her leave. [3]

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[2] A handwritten notation in the margin here reads: "*Herald-Tribune* Forum in fall; *Phila. Bulletin* in Feb. & Mar. McCardle used to be with the *Bulletin*."

[3] In a memorandum of July 27 to Murphy, Barbour briefly outlined the status of planning for visits of prominent Italians during the coming months as suggested by Luce. Barbour stated that Luce had recommended Taviani be invited only if he could be given something concrete to take home. Barbour also indicated that arrangements for possible visits by Fanfani and Saragat were being explored and that EUR was suggesting that the Embassy encourage a visit by Vanoni, who, it was rumored, might take Pella's place in heading the Italian Delegation at the International Monetary Fund meeting in Washington in September. (Italian Desk files, lot 57 D 56, "131.02—Italian VIP Visits to US")

No. 782

865.062/7-2654: Instruction

The Secretary of State to the Embassy in Italy [1]

CONFIDENTIAL WASHINGTON, July 26, 1954.

No. A-66

Subject: IRI and Confindustria

The emergence of the dispute regarding withdrawal of IRI firms from Confindustria [2] has brought home to the Department how little information is available regarding the organization, legal position, and actual role in the Italian economy of Confindustria. The Department appreciates the difficulties of penetrating behind the scenes of Confidustria's operations in the absence of day-by-day business contacts such as those required with government agencies. The Embassy is requested, however, to submit a basic report on Confindustria pooling all the information available to Embassy staff members. From the fragmentary information available to the Department regarding such questions as labor negotiations, control of markets and output, control over prices as labor negotiations, control of markets and output, control over prices, and general archaic and restrictive business philosophy, the conclusion might be reached that Confindustria constitutes an obstacle rather than an aid to Italian adoption of healthy American business practices which we believe necessary if Italy is to progress in solving her basic economic problems. If this is in fact the case we would have no reason to be concerned at a weakening of Confidustria's influence. The Department fully appreciates on the other hand that a battle over the withdrawal of I[illegible] firms from Confindustria at the present time could have serious undesirable repercussions within the Christian Democrat Party and the Coalition Government and for this reason believes that we should keep aloof from this issue.

The Department recalls as does no doubt the Embassy the importance of the Italian Government's taking the lead through IRI firms in bringing about enlightened labor standards, labor relations and personnel policies, increasing productivity efforts and encouragement of free unions both directly and through atmosphere

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[1] Drafted by Howowitz and William E. Knight and cleared with Freund and Jones.

[2] Reference is to the controversy in the Chamber of Deputies and within the Christian Democratic Party growing out of the proposal made in the Chamber on July 15 by CISL leader Pastore and supported by 31 Christian Democratic Deputies that the firms belonging to IRI, the complex of industries owned in full or in part by the state, should be separated from Confindustria, the confederation of privately-owned firms. The text of the Pastore motion was quoted in full in telegram 202 from Rome, July 15. (865.00/7-1554)

in plants created by general plant policies. If IRI firms could be made pace setters in industry, whether or not they retained membership in Confindustria, this lead should encourage a similar approach to labor problems by other firms including those belonging to Confindustria. The Department suggests that if the Embassy has not recently done so it may seek an appropriate occasion to discuss such a program further with the Italian Government without, however, intervening in any way in the issue of the parliamentary resolution reported in the telegrams referred to above.

DULLES

No. 783

765.00/8–1054

The Counselor of Embassy in Italy (Durbrow) to the Director of the Office of Western European Affairs (Jones) [1]

SECRET EYES ONLY ROME, August 10, 1954.

DEAR JOHNNY: Based on several recent instructions and telegrams both from the Department and from Headquarters, [2] I am sorry to say that I have the distinct impression that again we are not seeing eye to eye on both sides of the Atlantic. This, therefore, will be an attempt to tell you at some length what our thinking is here in the hope that we can all get on the same wave length.

First of all I was quite surprised and definitely perturbed to learn of the point of view taken by the Department in regard to the IRI/Confindustria question. I refer particularly to Instruction A–66, July 26, 1954. [3] This instruction was not received here until July 30th, and consequently we could not carry out instructions to "keep aloof from this issue". Had we received such instructions as contained in A–66 prior to the time this question was discussed with Italian leaders, I would have asked the Department to reconsider them for the reasons set out in this letter. In any event we did not get caught in the middle but did try to make it clear that, rightly or wrongly, we did not favor any action which would not only play into the Communists' hands by having Christian Democrats propose something already proposed by the Socialcommunists but would also be a major step toward bringing about more nationalization of industry, etc. For our money the Pastore resolution

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[1] A handwritten notation on the source text reads, "Treat as Top Secret".

[2] A handwritten notation in the margin of the source text reads, "instruction Jerry received dated 27 July".

[3] *Supra.*

would do just that, and there are so many other concepts built into the resolution that it can in the future be used by anyone, particularly the Socialcommunists, to try to force the Government to take steps not only in the industrial field but in the labor field, which in my estimation are straight Communist aims.

As to future use of IRI to bring about objectives stated in paragraph 2 of A-66, there is no question that from a short-range point of view Pastore might be able to wring some concessions from the IRI firms favorable to labor, but it is almost certain that these concessions as much as they might be desired, would be wrung from the Government on purely political grounds without much consideration to the economic factors involved. We realize, of course, that Pastore being among other things a political figure, must as such act in the political area, but it seems to me that he should not be encouraged to free-wheel too much in the politico-trade union field to the detriment of party unity. He should show a bit more political responsibility. For instance, statements have recently been made that since IRI's companies do not have to maximize profits, they could more easily make concessions to labor than private industry. The resolution thus would invite the politicians or, perhaps better, force the politicians to make concessions to labor which in the long run would not be paid for by the profits of the IRI firms but by the taxpayer. That is, by the Government picking up the chit for all IRI firms running in the red. Our understanding is that many of these firms are now in the red. You will recall the resolution also provides for "the participation of labor in various aspects of productive life". This, for my money, sounds too much like a Togliatti rather than a Christian Democratic proposal.

While it is obvious that the Government had to find some way to have the Lizzadri motion [4] knocked out, it did not have to do it with an even more comprehensive motion including a demand for the same action by the Government as had been demanded by the Socialcommunists. Furthermore, the submission of such a motion with Pastore as the principal exponent was badly timed at this point, since, as you know, just a few weeks before, for the first time since the War, Confindustria had, first of all, consented to deal with the free trade unions alone and, secondly, had granted to the free trade unions alone what amounts to a substantial in-

[4] Reference is to the motion introduced in the Chamber on June 22 by PSI Deputy Oreste Lizzadri, which, like the subsequent Pastore motion, called for the separation of Confindustria from IRI. The text of the Lizzadri motion was quoted in telegram 218 from Rome, July 16. (865.00/7-1654)

crease in pay in connection with the "Conglobamento" agreement. [5]

We have for a long time been doing what we could to encourage both the Government and private industry to refuse to deal with the CGIL and to deal with and encourage the free trade unions. . . .

It is quite clear from the many soundings we have taken that large sections of the Government were taken by surprise by the scope of Pastore's motion. However, once it was introduced, the Government had to accept it or find itself in the minority on an "everyone is against sin" motion which would have been passed by the votes of the PSDI, the Republicans, the CISL deputies, a few Iniziativa deputies and, of course, the solid bloc of the Socialcommunists. In other words this move by Pastore brought dissension in the Government ranks as well as in the CD Party itself. From my point of view it is neither good nor healthy to have purely trade union matters introduced in a big and broad way into the political arena. This is just what Pastore did, for his action is going to plague the Government for a long time, and he gives every indication that he is going to press for action on the motion.

. . . Confindustria is the one organization of private industry in this country and must be dealt with. In all probability, we should do everything we can to induce it as best we can to be more enlightened and we have been working in that direction. But the problem regarding the motion was whether we should remain silent or try to discourage a motion which in all probability will lead to more nationalization of industry and bring trade union policies into the purely political field. We do have something to say about what Pastore does; therefore, with the short time which it appeared we would have between the publication of the motion and the scheduled (July 12–July 15) debate, we acted to let him know that this was not something that would be particularly favored by the U.S. Government. I based my conclusions on this point on the declared intent of Congress in various bills of the last year or so, making it clear that we should encourage private initiative and private enterprise and, furthermore, it has been our policy here for some time, rightly or wrongly, to try to induce the Italian Government to get out of business by either closing up unprofitable IRI plants or selling the profitable ones to private industry. (Perhaps

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[5] On June 12, following lengthy negotiations, Confindustria signed a wage agreement, the "Conglobamento" agreement, with CISL and UIL and separately with CISNAL. The agreement was described in the Joint Weeka of June 18 as perhaps the "most important single development in the labor field since the schisms in the labor movement, 1948–49". (765.00(W)/6–1854)

we have been all wrong in trying to curb the Government monopoly empire building of Mattei?)

It is true that we are also enjoined to foster the growth of free trade unions. That means supporting CISL primarily, which is making a determined drive for greater state intervention in industry in what is undoubtedly a sincere effort to spur greater productivity, greater benefits for workers and better labor relations in general—and which is markedly increasing its concrete political strength inside the CD party. It is important that our different policy objectives be clarified and reconciled in order that what influence we exercise here can be exerted in a consistent fashion.

Both the Government and Confindustria have always in the past used the excuse that in a democratic country you have to deal with all groups and since CGIL is the most important group, the Government and the others must deal with it on an equal footing with the free trade unions. We have been pleading with the Government, with individual industrialists and with the representatives of Confindustria to change their policy by at least taking steps to ostracize CGIL and, if possible, to encourage the free trade unions. As I pointed out above, the first time this was done was by Confindustria in connection with the "Conglobamento".

On the other hand, if democracy is to flourish in Italy, among other things we have to be on our guard against allowing more nationalization of industry which will either set things up nicely for the Socialcommunists in the long run or set things up nicely for the re-establishment of a corporate state. . . .

We have had recently other indications that our points of view are not the same on both sides of the ocean. It appears that "many" and I don't know who the "many" are because there are none of them here, believe that the Scelba Government is a do-nothing government that does not desire, intend or hope to carry out any economic-social reforms and is incapable of taking any drastic steps against the Communists. The Scelba Government is far from perfect, but on these two scores it has certainly been taking action. This action has not, perhaps, been dramatic enough for the "many" who think that a government is no good unless it makes big splashes every day. However, it is a fact that the Scelba Government is the only government since the war which has started taking some drastic action against the Communists. I refer particularly to the seizure of Fascist properties. While this process is not moving ahead at lightning speed, they are taking more and more houses away from the Socialcommunists. They have evicted the Communist party from its very fine headquarters in Milan, have evicted the CGIL from its fine headquarters in Genoa, and in other small towns they have and are continuing to take back these

properties, and in many cases it has been necessary to use the "celere", tear gas, etc., in order to accomplish this. The Commies are now beginning to react. Since the Government does not feel that it is on completely sure legal grounds in ousting the Social-communists from all of these buildings, it has gone about accomplishing this in a firm but quiet way. We were told confidentially the other day by the Under Secretary of Interior that the Council of State had just rendered four decisions favorable to the Government and against the Communists' appeals made on the basis of eviction notices. Many of these buildings are held under different legal bases so it is not a simple matter to chase them out of all the buildings at once. The Scelba Government has categorically refused any "cultural exchanges" with Iron Curtain countries. We have been kept informed of the plans now going forward to take all East-West trade away from Commie firms and place it in a central government-controlled organization. (I was officially informed by Zoppi last week that a Government organization is taking over full control of all trade with China.) We are convinced that the Scelba Government has every intention of debating EDC in the Chamber as soon as it reconvenes. This in itself should be and may be the touchstone which will bring the Commies out into the open. This, in our estimation, is what is needed most at this time. Our feeling also is that if, as and when EDC is passed and there has been a showdown debate with the Commies, the Government will move forward even faster in its anti-Communist campaign. These things are not dramatic, but they are positive steps in the right direction.

I don't know whether I need to go into great detail in this letter since the Economic Section and USOM have been reporting these things regularly, but the Government is, in everybody's estimation here, making concrete definite plans to adopt social and economic reforms of a far reaching and fundamental nature. Tasca and the others on the economic side tell us that they are convinced that the Government is most sincere in this matter. These too cannot be done in a hurry and they have to find the money for them. Some can be found here, but if they are going to be carried out on a large and perhaps not even a too dramatic scale, they will have to get some money from outside sources—loans or grants. Those who worry about the slowness of the economic reform business might begin to think whether they can induce the U.S. Congress to grant Italy bigger or better aid or loans to accomplish this, in what seems to be their desire to have these things done in a "dramatic" fashion. Incidentally, while I am all for economic reforms and they are certainly needed in Italy, I for one do not feel that economic reforms alone or that economic reforms are the principal weapons needed to defeat Communism. The Communists must be fought po-

litically at the grass roots level and Fanfani is apparently starting a campaign on this score. CGIL must be broken and motions like Pastore's do not help in that process. Ways must be found to cut off the easy money sources of the Communists and, finally, ways must be found to convince the people that Communism is not the way of the future.

The big question right now is whether or not Fanfani intends to use his newly-acquired domination of the party machine [6] to upset Scelba or the present government combination or both. Until that is answered we should shy away from any rigid commitments but should keep ourselves in a flexible position to throw our weight where we want it at the proper time. At present Fanfani is publicly supporting Scelba and the quadripartite formula. It was a general feeling that he would concentrate in forging the party into an effective electoral weapon and move in as head of government after this task had been clearly accomplished in a year or two. We now get reports that he may try to take over from Scelba after Trieste and EDC are settled and the period of the constitutional ban on elections sets in. Whether this is true, whether Fanfani will continue with the present quadripartite formula, where De Gasperi stands in the whole matter, and even the question of the role Pastore plays in this situation all must be answered before we make any firm comprehensive decision on support.

At the pace Fanfani is moving to stimulate party activity, this picture should become much clearer in the next month and certainly not long after Parliament reconvenes the middle of September.

Therefore, we must take some very basic soundings, study the situation most carefully and come up with concrete U.S. policies and objectives as soon as we possibly can. My preliminary thinking is that, at least for the time being, we should back up the quadripartite formula under Scelba to permit him to show what he can do in the next few months in making progress along lines desired by us.

This has been a too-long letter, but I felt I should give you in detail some of our fundamental thinking here so that we can have your reactions . . . in order that we will be more in tune one with another.

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[6] Following the Fifth National Congress of the Christian Democratic Party in Naples, June 26–29, Fanfani, who was one of the leaders of the "current" within the party known as *Iniziativa Democratica*, was elected Political Secretary of the Party. An analysis of Fanfani's ideas and some comments on his probable intentions concerning the orientation of the party were contained in despatch 433 from Rome, Sept. 1. (765.00/9-154)

What I really believe would be most helpful is for you to come here for at least a couple of weeks not only to talk to us but to absorb some of the current atmosphere and, I should add, confusion in the current political picture.

. . . . . .

Sincerely yours,

DURBY

No. 784

765.00/8-2054: Telegram

The Chargé in Italy (Durbrow) to the Department of State [1]

SECRET ROME, August 20, 1954—8 p. m.

697. Following our first thoughts on significance disappearance of De Gasperi from political scene. [2]

Continuing task of maintaining unity of heterogeneous Christian Democratic party adversely affected by disappearance his skillful compromising hand. Likewise his death removes most authoritative exponent of consolidation of democracy in Italy through cooperation with democratic lay parties in struggle against those CD factions advocating all out endeavor to achieve complete Catholic dominance.

De Gasperi's disappearance from scene also blow to liberal Catholicism, which as current body of thought cutting across party lines seeks to wed strains of religion and liberalism (liberty and private enterprise) in defense against political authoritarianism of right and left.

Scelba and Fanfani remain dominant figures in CD party. Scelba is determined advocate of De Gasperian general political orientation at home and abroad. With De Gasperi's death, Scelba becomes leading exponent of democratic quadripartite cooperation. Al-

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[1] Repeated to London, Paris, Vienna, Moscow, Brussels, The Hague, Luxembourg, Belgrade, and Bonn.

[2] Alcide De Gasperi died on Aug. 19 at the age of 73. A further report from the Embassy regarding the effect of De Gasperi's death on Italian domestic politics is in telegram 746, Aug. 24. (765.00/8-2454) Ambassador Luce returned to Italy on Aug. 21 to attend De Gasperi's funeral on Aug. 23 as President Eisenhower's personal representative. She returned to the United States on Aug. 27. The text of a letter she sent to President Eisenhower on Aug. 31, which described conversations she had had with Italian officials during her short stay in Italy, especially as they pertained to Trieste, is scheduled for publication in volume VIII. Luce returned to Italy again on Sept. 10.

though Scelba has availed himself of De Gasperi's prestige and counsel, he has been running govt firmly with own hand.

Fanfani, on other hand, is generally uncommitted. From educational background and early professional associations there may be some reason to class him with groups working achieve Christian Democratic dominance at all costs for execution of a Catholic social program. However, experience as Cabinet minister in recent years appears to have instilled large sense of responsibility, both administrative and political, including awareness of necessity for broad cooperation with other parties. He has recently demonstrated considerable flexibility in seeking political alliances.

Some possibility exists that struggle will develop between Scelba whose strength rests on governmental apparatus and Fanfani who now has control of party. For time being, however, both clearly dependent on each other. Experience of Pella last winter demonstrates necessity of cooperation both govt and party. Fanfani has already been burned by premature bid for presidency of Council. As to present, he has just publicly put self and party strongly behind both Scelba govt and policy of democratic collaboration.

Passing of De Gasperi opens up prospects for right wing CDs to revive position in party by working on part of old guard. This group may also be encouraged now to make strong effort to find common ground with Monarchists and even MSI for formation of rightist party to exploit resistance among electorate to Scelba economic and social program and dissatisfaction of leadership all three parties in south at Fanfani's new organizational drive in that area.

General foreign policy orientation of govt and party not likely to change barring an unexpected turn of events affecting political relationships described above. While De Gasperi was outstanding leader in shaping Ital foreign policy of full cooperation with us and western Europe, present leaders of govt and party fully endorse these policies. Events abroad are more likely to have effect of changing Ital foreign policy than is foreseeable course of domestic political developments.

De Gasperi's death also decisively effects issue of succession to presidency of Italy when Einaudi vacates post in May 1955. While his prospects of carrying on from Einaudi appeared to be declining in face of growing lay democratic sentiment in favor their retention highest state office to prevent CD monopoly of Italian state, his presence would surely have been important factor in presidential election. Without him, CDs at moment appear have no one of necessary stature, qualities, and independence from petty party turmoil to offer except perhaps President Senate Merzagora, who though elected on CD ticket has independent liberal stamp. Since

PSDI and PRI clearly have no presidential candidate at moment, De Gasperi's departure strengthens hand of PLI, whose leaders say in confidence they will either push for second term for Einaudi or press candidacy of present Minister Public Instruction Gaetano-Martino.

DURBROW

No. 785

Italian Desk files, lot 57 D 56, "131—Italians in U.S."

The Counselor of Embassy in Italy (Durbrow) to the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL
OFFICIAL–INFORMAL

ROME, September 2, 1954.

DEAR LIVIE: You have in all probability seen our telegram 819 of August 30 [1] concerning the visit of Vanoni, Ferrari-Aggradi and Menichella to the United States for the International Monetary Fund meeting. This telegram gives the details, so far as we know them, of their visit, and a further communication will be sent if Vanoni expresses any more views or indicates the time when he plans to leave from the United States.

I know that the Department will be flooded with major personalities from all parts of the world during the IMF meeting and that each one of them will want to see the Secretary, you, and all other top officials. I am also sure that each desk in EUR will make a special plea for his particular client. I do not envy you this prospect.

However, I do want to call particular attention to Paragraph 4 of our telegram. Vanoni not only occupies an important place in the economic field but is also on the list of potential prime ministers for Italy. It is not improbable that if Scelba stubs his toe Vanoni might be called in on a care-taker basis to repeat the Pella experience of forming a "care-taker government", which in Italy, as you know, can last for some time.

In view of Vanoni's potential importance and the influence he exercises in present-day Italy, I would like to make a special plea that he be given a short and effective course in American institutions. This question has been discussed at length with the Ambassador, who approves the idea if it can be worked out. As you will note from the biographic sketch which I enclose, [2] Vanoni is known

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[1] Not printed. (398.13/8-3054) The Ninth Annual Meeting of the Boards of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund was to be held in Washington, Sept. 24–29.

[2] Not printed.

as an exponent of socialistic ideas both as an ultimate program and as a present means of political maneuvering. At the Ambassador's suggestion, Tasca has written to Henry Luce, proposing a gentle massage. I enclose a copy of that letter. Tasca will write a follow-up letter to Mr. Luce after his talk with Vanoni today. I will send you a copy.[3] You may also wish to glance at Ghiardi's memo, enclosed. [4]

It seems to me that it would be well worthwhile to make it possible for Vanoni to see something of the United States while he is there and to discuss various economic problems with leaders of private industry who have no repeat no connection with Government-controlled enterprises. Perhaps the Department . . . can work out such a program. Vanoni will need an interpreter which I understand could be supplied by USIA under their leaders and specialists program. I do not think it advisable to give Vanoni such a leader and specialist grant at this time, although at a later date he might be considered.

I believe that if Vanoni could have his eyes opened about the achievements of private enterprise in the United States he might not pursue the line of nationalization and ultimate socialism in Italy. If that could be achieved, it would be for the common good.

I address this letter to you personally since I do not know how such matters will be handled. . . .

Best regards.

Sincerely yours,

DURBY

[Enclosure]

The Director of the United States Operations Mission in Italy (Tasca) to Henry R. Luce

PERSONAL ROME, August 24, 1954.

DEAR HARRY: As you may know, Italian Government Minister of the Budget Vanoni and his Undersecretary Ferrari-Aggradi, will be in the States to attend the International Fund and Bank Meetings which begin on September 24. They will be leaving on the *Ile de France* from Le Havre on September 10.

It has occurred to the Ambassador and to me that since the meetings they will attend involve some fifty or more different

[3] Not found in Department of State files.

[4] The biographic sketch had been prepared by Ghiardi, but no other memorandum by him was found as an enclosure to the source text.

countries, a special effort will be required to see that these two men receive the proper "indoctrination". As you are aware, one of the results of the Christian Democratic Congress in Naples was that Vanoni has become a considerably more important figure in Italian political life than ever before. In fact, in some quarters he is reported to be a possible candidate for the position of Prime Minister, with Fanfani remaining as Secretary General of the Party. Vanoni has been under Socialist influence for many years, and in my view has very confused ideas about the relationship of (a) government ownership, (b) efficient management of enterprise, and (c) the problem of control of business in the national interest.

It would be most useful if during his visit to the United States he could get firmly fixed in his mind the advantages which private enterprise and ownership offer in the States (within the framework of public control) in terms of economic expansion and progress. For example, it might be well if he could better understand the functioning of public utility commissions, the Inter-State Commerce Commission, and further, if he could get a first-hand view of the relationship between management and labor in the U.S.

I think it would be splendid if you could help in determining that his stay in the U.S. is fruitful in these areas. The Ambassador has suggested that you might wish to have C. D. Jackson spend some time with him. In any event, I leave all this to your good judgment. What I wish to stress is that this is an opportunity which could have some impact on key figures in Italian political life.

I am still looking forward to making a trip with you through the Reggio Emilia red areas when you return.

With best wishes,

Cordially,

HENRY J. TASCA

No. 786

Italian-Austrian Desk files, lot 58 D 243, "Policy Debates Winter 1953-1954"

The Director of the Office of Western European Affairs (Jones) to the Counselor of Embassy in Italy (Durbrow)

TOP SECRET
OFFICIAL–INFORMAL

WASHINGTON, September 16, 1954.

DEAR DURBY: I am sorry we have been so long in answering your letter of August 10 [1] regarding IRI-Confindustria and the Scelba

[1] Document 783.

government. The vacation period with its consequent skeleton staffing in WE is our partial excuse.

I am even sorrier that such complete misunderstanding resulted from our A–66 [2] on the IRI business. As you know we had already fully endorsed . . . the actions you had undertaken with Pastore and the Party to require a common position which both of them could accept.

. . . A–66 seemed to be an appropriate, routine, on-the-record kind of instruction and I let it go through principally because the substance of its content, asking for an over-all report on Confindustria, seemed desirable. I'm extremely sorry about all the resulting confusion and shall do a more effective job of coordinating next time.

With regard to the substance of the IRI question, I can see that there would have been some disadvantages to withdrawing the Pastore motion under the circumstances, leaving the PSI motion [3] the only competitor for the votes of the many individuals and factions in the government who had already declared themselves publicly in favor of some such motion. I wonder whether the government has not already killed this issue by referring it to the Giacchi commission [4] and certainly hope so. As you know, the Italians are old hands at this kind of tactic.

A more basic point is involved, I think, than whether we should favor the Pastore or anti-Pastore forces in this question, and it is one which has given me some concern personally. This is the degree to which we should actively intervene to influence directly and overtly specific legislative questions on internal matters before the Italian Parliament. I believe we have every right to attempt openly to influence legislation where American interests are at stake and this policy would, it seems to me, provide a suitable basis for Henry Tasca's activities with regard to petroleum legislation. However, in pursuing our more generalized objectives such as encouraging Italian private initiative a distinction should be made, in my personal view, between exerting our influence on a general basis through such programs as technical assistance and productiv-

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[2] Document 782.

[3] Reference is to the Lizzadri motion described in footnote 4, Document 783.

[4] Following the approval of the Pastore motion by the Chamber of Deputies on Aug. 3, the Italian Government appointed a commission headed by Orio Giacchi to study the question of possible reform of the charter of IRI. The commission report, dated Aug. 31, but not made public until December, was summarized in despatch 1054 from Rome, Nov. 23. (765.00/11–2354) Since the commission could not reach agreement on the specific form of a new charter, it presented both a majority and minority version to the government on Dec. 3. Both reports were discussed in despatch 1297 from Rome, Dec. 28. (765.00/12–2854)

ity and exerting it directly by overtly participating in political differences on specific resolutions before Parliament.

We subscribe unreservedly to your view that the essential point on the IRI issue is that it should not be permitted to bring a split in the Christian Democrat Party or between CISL and the Party. It was this consideration that formed the basis for our recommendation that the Embassy insist . . . that Pastore and the party leaders reach an agreement on the issue which both could accept. . . . Any such agreement we felt, and still feel, would of necessity be one which would avoid a split in the Party since the party leaders themselves have more reason even than we to ensure that no split take place. I hardly think that we should try to second-guess them in this and believe we should accept any position they jointly work out. (I enclose copies of memoranda prepared by DRW at Bill Knight's request on IRI and Confindustria.[5])

Regarding the second basic point you raise, suffice it to say that . . . State agree wholeheartedly with your position on the Scelba government. . . . In the first few months of the new government's life, we viewed it with somewhat more hope than you did in Rome. . . . This is just about the time however when the Government's chances began to look up from the Embassy's point of view, so while our enthusiasm curve was descending yours was beginning to rise. Be assured that we are now firmly in step and seeing eye to eye and we agree with you that we should continue to back up the quadripartite-type government under Scelba wholeheartedly.

I am mightily urged by your invitation to visit Rome for a couple of weeks. I miss not having included it in my tour last September, and hope to make up for that lack soon. I told the Ambassador I would take the first opportunity of a free ride and if one doesn't materialize by the 1st of the year I'll try to pry some money out of Mr. T. Thompson, the EUR treasurer.

. . . . . .

As ever,

JOHN WESLEY JONES

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[5]These memoranda, dated Aug. 25 and 26 respectively, were not attached to the source text, but copies of them are in Italian Desk files, lot 57 D 56, "380—Labor".

No. 787

Secretary's Memoranda of Conversation, lot 64 D 199, "September 1954"

Memorandum of Conversation, by the Director of the Office of Western European Affairs (Jones)

CONFIDENTIAL WASHINGTON, September 25, 1954.

Subject: Call of Italian Minister of Budget

Participants: The Secretary
Ambassador Tarchiani, Italian Embassy
The Italian Minister of the Budget, Sig. Ezio Vanoni
Mr. John Wesley Jones, WE

The Italian Ambassador called on the Secretary this morning to present the Italian Minister of the Budget, Sig. Vanoni. [1] Sig. Vanoni expressed in Italian his appreciation of the Secretary's thoughtfulness in providing a few minutes for an interview on the day of the Secretary's departure for the London Nine-Power Conference. [2] Sig. Vanoni continued that, to save the Secretary's time, he would like to present certain points of view of the Italian Government for the Secretary's information and consideration, and had asked the Italian Ambassador to translate for him. Sig. Tarchiani translated these remarks and then immediately proceeded to make the following points himself, presumably in the name of the Minister but without giving the latter an opportunity to express himself in Italian first:

1. The Italian government is faithful to a policy of European integration and in support of this policy wishes to see German sovereignty restored, Germany rearmed, and a member of NATO.

2. Regarding the Trieste affair, the Italian and Yugoslav positions seem to be very near and it is hoped that there will be a settlement within a few days. The problem for the Italian Government, which is in a weak Parliamentary position, is to present the settlement in the most favorable light to the Parliament and the

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[1] A memorandum of conversation, dated Sept. 24, between Ferrari-Aggradi, Iaschi, Italian Embassy officials, and Department of State officials, is in Italian Desk files, lot 57 D 56, "601—United States". Ferrari-Aggradi and Iaschi were members of the official party accompanying Minister of the Budget Ezio Vanoni to the United States. The Vanoni party arrived in New York on Sept. 16 and came to Washington on Sept. 20. They left Washington on Sept. 28 after attending the International Monetary Fund meetings and briefly visited Detroit and Chicago before returning to Italy on Oct. 2.

[2] Reference is to the meeting in London, Sept. 28–Oct. 3, of the Foreign Ministers of Belgium, Canada, France, the German Federal Republic, Italy, Luxembourg, the Netherlands, the United Kingdom, and the United States to draft arrangements for the restoration of German sovereignty and the association of Germany with a Western defense system. For documentation, see vol. v, Part 2, pp. 1294 ff.

people. The Secretary interposed at this moment that he believed a Trieste settlement could be presented to the Italian people as a real achievement on the part of the Government. The Ambassador expressed his Government's appreciation for the American initiative in sending Mr. Murphy to Belgrade and breaking the deadlock which had heretofore existed over the territorial aspects of the Trieste issue.

3. The Italian Government has a plan to combat communism through an economic program. [3] This would require some assistance from abroad and the Ambassador expressed the hope that the US would be sympathetic to such a plan. At this point the Minister interrupted to explain that the economic plan which his Government is proposing was being presented to the OEEC and that he had already had a very encouraging discussion about this proposal with the British Chancellor of the Exchequer, Mr. Butler, at the current Bank and Fund meetings. Mr. Butler, he pointed out, was the President of the Council of the OEEC. The Minister continued that international participation in, and support for, this Italian economic proposal would relieve the Government of its dependence upon the communist-dominated labor union, CGIL, and make it difficult for the communists to employ their usual obstructionist tactics to such a constructive scheme. Finally, the Minister asked that the Secretary, in his conversations in London next week, put in a word of support for the "Vanoni Plan" with the British who already seemed favorably disposed to cooperate through the OEEC.

The Secretary expressed his pleasure at having the opportunity to meet the Minister of the Budget and at the Minister's presence in Washington where he had afforded the various economic and financial members of the US cabinet an opportunity to discuss directly Italy's economic and financial problems with him. He said that we would all listen with great attention and respect to what the Minister had to say because his well-known political stand against communism and his recognized leadership in the economic field well merited such attention and respect. [4]

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[3] Reference is to the "Vanoni Plan," a 10-year economic development program for Italy. The plan was described and analyzed in Tousfo A–65, July 27, to which was also attached an informal memorandum the Embassy had received from Vanoni discussing the first stage of the plan. (865.00/7–2754)

[4] In a letter of Oct. 4 to Durbrow, Jones summarized the results of the discussion in Washington involving Vanoni and his party and stated that it was difficult to imagine how the Secretary of State had found time to meet with Vanoni since he was so occupied with the U.N. meetings in New York and with the London Conference. Jones also commented on the planning for Vanoni's trip to Detroit and Chicago upon his departure from Washington and said, in this regard, that there had been a most fruitful and pleasant cooperation among the Department of State, the Italian Embassy, and C. D. Jackson's office. The State Department had provided an

Continued

No. 788

Luce files, lot 64 F 26, "Correspondence & Miscellaneous 1954"

The Ambassador in Italy (Luce) to C. D. Jackson

[ROME,] September 29, 1954.

[DEAR C. D.:] Thanks for shepherding Vanoni. Let's hope there will be some payoff for the U.S. in your noble efforts.

Thanks entirely to the Prexy's letter to Tito, [1] we are in sight of a Trieste settlement. If it does come off (and I'm a pretzel in every joint from crossing myself), it will be just "in the nick." If it doesn't, I won't even have a popgun left to go bear hunting with in the Via Botteghe Oscure.

If (a) the London Conference [2] throws up a "solution"—just for the sake of throwing up something—that postpones and delays German sovereignty and rearmament, and if (b) the British Labor Party votes against German rearmament, and if (c) a clean determined new American policy line does not quickly follow a failure to solve German rearmament question, then our Italian friends will begin to jump onto the Communist bandwagon. The Italian politicos who have been so deeply committed to us in the past that they cannot possibly scramble aboard, will begin to search for any other vehicle in which to join the parade, since otherwise (they will figure) they'll be following involuntarily anyway—in tumbrils.

. . . . . .

An important Cabinet Minister said to me a few days ago, in a moment of Italian agonizing reappraising, "Our nation acts only out of physical fear, or with the hope of material gain. The U.S. must now do one of two things: bind us to its side with the hope of material gain, or terrify us with the consequences if we leave you. It's all very well to say, 'Europe must make up its own mind,' but in order for us to make it up intelligently, *you must say what you will do if we finally make it up in favor of Russia.*"

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interpreter for Vanoni's trip to these cities and had arranged in Detroit for a visit and luncheon at the Ford Motor Co. with Henry Ford II as host. While in Detroit Vanoni had also met with Walter Reuther of the United Automobile Workers and with other industrial and business leaders. Jones also indicated that the arrangements for the visit to Chicago had been made by the President of the Pure Oil Corporation "upon suggestion of Mr. Luce or Mr. Jackson". (Italian Desk files, lot 57 D 56, "131—Italians in U.S.")

[1] President Eisenhower's letter of Sept. 10, 1954, to Tito is scheduled for publication in volume VIII.

[2] Reference is to the London Nine-Power Conference described in footnote 2, *supra*.

For the moment, however, the Government is not addressing itself to these problems vigorously. The Wilma Montesi case [3] absorbs the attention of the whole nation to the exclusion of such minor matters as the collapse of the European Defense System. It is, however, not a minor matter that this scandal may well collapse the Government.

Over here, every report we get is that Ike has staked his whole prestige on the election of a Republican Congress, in terms of domestic issues. I fear that, accordingly, he is going to lose both Congress and prestige. I still think he could pull the independent voter back into camp with a foreign policy speech directed to the U.S. voter, somewhat along the lines my Italian friends say must be made to them. "My friends . . . follow me to the promised land, or else—it will be the hell of war for all of us."

In any event, no matter what he does, or how it all comes out, I'm for him to the end. Because he's a man, and because he is a very good man. And in the kind of world we live in today, this makes him a sort of genius. It also suggests the possibility of martyrdom.

. . . . . .

CLARE BOOTHE LUCE

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[3] Background on the Montesi case is provided in footnote 2, Document 774. On Sept. 18 Prime Minister Scelba announced the resignation of Foreign Minister Attilio Piccioni, whose son had been implicated in the Montesi case, and the appointment of Gaetano Martino as his successor. Martino had served as Minister of Public Education in the Scelba cabinet. The Embassy's preliminary comments on the cabinet changes are in despatch 1103 from Rome, Sept. 20. (765.00/9-2054)

No. 789

033.1100 ST/11-154

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Secretary of State [1]

TOP SECRET WASHINGTON, November 1, 1954.

Subject: Italy Trip—October 26-27, 1954

I. From my conferences with Ministers of the Government of Italy, reported in Embassy cables, [2] and with the U.S. country team, I have the following impressions:

a. The Government of Italy is finally convinced of the danger from the internal Communist-led unions and from the internal Communist party and is preparing to move against the danger, but had divided counsel within itself and is inclined to repeatedly postpone.

b. The Ministers look for external policy encouragement from other European countries or from NATO, in moving against the Communist party internally.

c. The Government has repeatedly claimed that the economic problems of Italy, particularly unemployment, had to be solved first before the Communist party can be dealt with effectively.

d. The Ministers seemed to be somewhat impressed by my comment that more jobs could be created only through more investment, that adequate investment must be both private and public, from internal and external sources, that the major bar to such investment was the danger from the Communist-directed CGIL Union, that therefore the CGIL was a major cause of chronic unemployment.

. . . . . .

[1] The memorandum was also addressed to the Secretary of Defense, the Special Assistant to the President for National Security Affairs, and the Chairman of the Operations Coordinating Board. Stassen also visited Yugoslavia Oct. 24-26 and Spain Oct. 27-29. For a memorandum reporting on his visit to Spain, which Stassen sent to the Secretary of State and other U.S. officials on Nov. 1, see Document 923. A similar memorandum reporting on his visit to Yugoslavia, also dated Nov. 1, is scheduled for publication in volume VIII. Stassen summarized the conclusions in each of the three memoranda in a separate memorandum to President Eisenhower, which he personally gave to the President on Nov. 1. (Eisenhower Library, Eisenhower papers, Whitman file)

[2] A memorandum of conversation between Stassen and Prime Minister Scelba on Oct. 27 was attached to despatch 916 from Rome, Nov. 8. (765.5 MSP/11-854) A memorandum of Stassen's conversation with Foreign Minister Martino the same day was attached to despatch 917 from Rome, Nov. 8. (765.00/11-854)

No. 790

Italian Desk files, lot 57 D 56, "435—Aid to Italy"

The Counselor of Embassy in Italy (Durbrow) to the Director of the Office of Western European Affairs (Jones)

CONFIDENTIAL
OFFICIAL–INFORMAL

ROME, November 17, 1954.

DEAR JOHNNY: We appreciated the very useful letter that you sent me in connection with your cable on Defense Support Aid for Italy in FY '56. [1]

I assume that by now you will have read the Country Team views on this subject in Embtel 1822, November 9, [2] and will have noted that we strongly concur with your views that any economic aid for Italy in FY '56 can be justified only on the basis of an adequate Italian political program, and that the problems of timing and tactics make it desirable to hide any sums tentatively earmarked for Italy somewhere in the legislative proposals so that the Italians will not find out about them.

The Ambassador has a somewhat more specific view on how this might be done than was actually expressed in our cable, and Tasca and Jacobs and I all think her idea contains a very attractive approach for Washington to consider. She suggests establishing some funds that would be made available to the President to allocate to countries that took "outstanding steps to strengthen the fabric of the free world" (or some suitable positive expression which would include the anti-Communist idea).

The establishment of such a fund would probably have several major advantages: (1) it might introduce a healthy competitive spirit among the countries all over the world which are afflicted with serious internal Communist problems and are seeking United States aid to combat it, for the reason that those who took the first, largest and most useful steps would then be eligible for aid; (2) it would be more saleable to the Congress than allocating funds to continue aid along the old lines to countries to carry out their programs and meet their problems, in the hope that they would afterwards be enabled to meet United States policy objectives (e.g., emasculate the Communist apparatus in Italy), something the Congress is probably tired of hearing, at least for Europe. It would

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[1] Reference is to Jones' letter of Nov. 5 and the attached joint State-FOA cable 1544 of the same day, neither printed. (Italian Desk files, lot 57 D 56, "435—Aid to Italy")

[2] Telegram 1822 described in detail the Embassy's thinking regarding the level of U.S. assistance to Italy for FY 1955 and 1956 and the tactics to be used in discussing this question with the Italian Government. (765.5 MSP/11-954)

build directly into the conditions for appropriation a reward or "*quid pro quo*" for demonstrated performance instead of the idea of helping countries to meet their problems; and (3) it would provide the Administration with greater flexibility in allocating aid.

As for the specific amount to be tentatively earmarked for Italy, for the reasons pointed out in our cable it is difficult to give a figure now. But also it is very important that sources be available to compile a sizeable aid total for Italy, if this should turn out to be needed to accomplish major progress toward United States objectives. With the latter in mind, the current Washington tendency noted in your letter to limit severely the funds potentially available to Italy from surplus food sales under Title I of PL–480 is disturbing, since this seemed to us the most sizeable and flexible potential aid source. However, the existence of a sizeable global kitty of the type recommended by Ambassador Luce would be another answer to this problem.

Please let us have your reactions to these suggestions. [3]

With best regards,

Sincerely yours,

DURBY

[3] See Document 793.

No. 791

Italian Desk files, lot 57 D 56, "435—Aid to Italy"

The Ambassador in Italy (Luce) to the Assistant Secretary of State for European Affairs (Merchant)

CONFIDENTIAL
OFFICIAL–INFORMAL

ROME, November 22, 1954.

DEAR LIVIE: Ever since Minister Vanoni's return from his trip to the United States, I have wanted to write to thank you and the Department for the highly cooperative and successful efforts that were made to handle his visit.

Vanoni himself was obviously well pleased with the treatment he received everywhere, and he was most favorably impressed by what he saw and heard. We hope that this will make our future dealings with him that much easier. Moreover, Vanoni's positive reaction was reflected in his statements to the press and Parliament on his return. These statements received very good news coverage.

Indeed, in one respect the treatment given Vanoni's party was apparently so good as to have an unintended effect. To some extent, perhaps not completely unintentionally, the Italians appear

to have confused U.S. cordiality and expressions of sympathetic understanding with informal commitments on various forms of assistance. After their return, when they wanted to start right away to arrange the PL 480 Title I assistance they were going to receive, it became necessary to cool them off a bit by calling attention to certain prerequisite actions on the Italian side. In particular, we referred to the satisfactory establishment of their productivity program which they are still stalling on one and a half years after the allotment of $22 million for this purpose under Sec. 115(b); their continued failure to do their best to help themselves with their investment and development problems, especially in the field of oil monopoly; the need for concrete action on a stepped up Italian development program which would justify and support a supplementary U.S. contribution; and above all, the need for a comprehensive and concrete political action program to assure that the political benefits of economic and social improvements in Italy accrue to the democratic forces, and not to the Communists.

If it should become reasonably certain that the Italian Government is going to perform well on the main problems of concern to the U.S., we may, under the conditions indicated in Embtel 1822, [1] wish to have a sizeable economic aid package available to provide the marginal push that the Italian program might need. This might be something like $200 million per year for two or three years, for which PL 480 might be the major source. But I would like to emphasize that this aid should only be given after we are convinced that it will be used effectively to support an effective Italian program to deal with their Communist problem. Most importantly, we should not let them know that we are earmarking any specific sums for this purpose. With this in mind, we agree with the usefulness of the proposal in Deptel 1514 [2] to keep the door open for economic aid to Italy in the current presentation to the Budget Bureau, although it is too early to know if we will actually recommend extending any new economic aid to Italy, or how much.

Before closing, I would like to mention two areas of Washington action that have caused Henry Tasca special concern recently. One is the Italian oil problem, and specifically Mattei's activities.

The second concern arises from the difficulties implicit in the legislative and administrative arrangements for moving U.S. surplus commodities abroad, and the need to centralize responsibility for negotiation with Italian Government representatives.

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[1] See footnote 2, *supra*.

[2] This telegram, dated Nov. 3, discussed the estimates for the FY 1955/56 economic aid program for Italy. (765.5 MSP/11-354)

Henry is not expected back from Paris until the end of this week. He will then prepare memoranda on the Mattei and the surplus commodities question, which I will send to you with further comments. [3]

With all best wishes,

Cordially,

CLARE

[3] Copies of these memoranda have not been found in Department of State files, but in a draft reply to Luce prepared for Merchant's signature, dated Dec. 9, Tesoro commented briefly on Luce's recommendations and on Tasca's two memoranda which were described in passing. (Italian Desk files, lot 57 D 56, "435—Aid to Italy")

No. 792

Editorial Note

Following a five-hour Cabinet meeting on December 4, the office of Prime Minister Mario Scelba issued a communiqué announcing new government measures in the economic, commercial, and administrative fields designed to defend democratic institutions against the actions of "totalitarian political forces" dependent on foreign countries. The text of the communiqué was quoted in telegram 2141 from Rome, December 6. (765.00/12–654) The reaction of the Italian Communist Party to the new measures, including the comments of Palmiro Togliatti in an interview published in *Paesa Sera* on December 5, was the subject of despatch 1225 from Rome, December 14. (765.001/12–1454) The reaction of the Italian Socialist Party was described in despatch 1245, December 17. (765.00/12–1754)

No. 793

Italian Desk files, lot 57 D 56, "435—Aid to Italy"

The Director of the Office of Western European Affairs (Jones) to the Counselor of Embassy in Italy (Durbrow) [1]

CONFIDENTIAL
OFFICIAL–INFORMAL

WASHINGTON, December 8, 1954.

DEAR DURBY: We have read with great interest your letter of November 17 [2] and together with S/MSA, we have considered the

[1] Drafted by Tesoro.

[2] Document 790.

Ambassador's attractive idea of a special fund to be made to the President.

I understand that a "contingency fund", which may be used for the same purpose, is now being considered in a somewhat different form. In fact I am told that the Secretary and Governor Stassen agreed a few days ago to submit to the Bureau of the Budget a request for a $150 million reserve fund to be included in the FY '56 presentation. This fund would be for contingencies which might develop on a worldwide basis during FY '56, and it is specifically understood that Italy would be one of the likely claimants to be considered in the utilization of the fund. Obviously, there cannot be drawn up at this time a list of priorities among possible claimants against the fund, claimants which, I understand, might represent a much higher total.

I need not stress at this point that the agreement between the Secretary and Stassen to ask for such a reserve is obviously only the first step of a long bureaucratic and constitutional chain of necessary approvals, from the Bureau of the Budget to the President to the various Congressional committees, etc., before the actual appropriation is made. Since, therefore, the proposal will still be in the formative stage for quite a while, the Ambassador might wish to discuss it during her forthcoming visit to the States. [3] Any support she could give to it while here would, of course, be most desirable and undoubtedly effective.

We quite agree with you that the current tendency on the utilization of the Title I of PL 480 funds is disturbing. Under the $453 million ceiling for the funds to be used in FY '55 (a ceiling which was established by the White House) it is very difficult to make plans for a sizable program for Italy, after the commitments made prior to the placing of the ceiling are fulfilled and after all the programs which Agriculture wants on other than foreign policy grounds are carried out. The figure of $46 million which was mentioned in previous informal letters to you and Deak has been considerably pared down, in spite of our strenuous efforts, because of competitive programs strongly and successfuly supported by agriculture. As of today it seems that it will be impossible to have more than $30 million earmarked for Italy out of Title I funds for

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[3] In telegram 1781 to Rome, Nov. 30, Luce was informed that the Secretary of State desired her return to the United States for consultations any time prior to Jan. 14. (123 Luce, Clare Boothe) She left Italy on Dec. 28, arriving in New York by air the following day. She planned to be in Washington Jan. 3–8.

FY '55, and I understand that a negotiating instruction on the subject is going to be drafted shortly.

Sincerely yours,

JOHN WESLEY JONES

No. 794

765.00/12-1554: Telegram

The Ambassador in Italy (Luce) to the Department of State [1]

SECRET NIACT ROME, December 15, 1954—noon.

2218. For Secretary—limit distribution. In view of your forthcoming meeting Foreign Minister Martino, [2] believe following message supplies important background for conversation.

A. In long meeting with Prime Minister Scelba December 11, he stressed importance of message he wished me to convey to US Government. He began with usual statement viz. that Italy is major Communist battlefield of free world; that if Italy goes Communist entire western defensive position in Europe and Africa would be jeopardized; that only possible political battle force in Italy is existing four-power coalition; and that anti-Commie battle now being fought by coalition cannot hope succeed without US aid participation in Italian government economic plan which would give his people hope for future.

Scelba then pressed hard this suggestion similar to one he proposed to you at Milan: [3] the best way develop such plan was for US send soon to Italy top level expert enjoying confidence President Eisenhower to discuss planning with Italian Government at topmost level, i.e., with Scelba. Prime Minister believed that only in this way could a concrete plan with real political appeal to Italian people be developed, as people would have no faith in any Italian plan which did not clearly carry the support of US.

I then pointed out to Scelba that an economic plan for Italy is already in existence, i.e., the "Vanoni 10-year plan," which is about to be presented Italian Council of Ministers, and will presumably be put on agenda OEEC Ministerial Meeting in January. Therefore I did not quite understand his insistence on a different approach, namely that US expert come to Rome to initiate planning with government. Scelba than stated he feared OEEC approach will prove

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[1] Repeated to Paris.

[2] John Foster Dulles was planning a trip to Paris for the North Atlantic Council meetings of Dec. 17–18; he left Washington on Dec. 14.

[3] Scelba's suggestion was described in Document 777.

politically ineffective as Vanoni plan would undoubtedly fall in hands bureaucrats Washington and Paris where he indicated it might be watered down, kicked around and pass out of the Italian political limelight, thus losing its impact on the people. He repeatedly insisted US experts must come to Italy as Italian people were under no illusion that any significant aid could be expected from any other country, and this meant OEEC approach would not be taken seriously by public opinion. However, Scelba would not object to any plan produced as result bilateral conversations US and Italy being subsequently submitted OEEC.

B. My comments:

1. Foregoing position Prime Minister probably represents Scelba maneuver prevent Vanoni who while DC Deputy has strong Socialist economic leanings from taking big economic *play* away from Scelba Government. Scelba rightly understands politician who emerges with successful economic plan could become biggest man in Italy in view crucial importance unemployment and under-employment this country, and that he Scelba can keep political spotlight on himself only if he seems to be initiator of such planning. In my view Scelba is eager not to scrap Vanoni plan per se but to hijack it for political reasons, namely (a) Scelba may fear that US attention given to Vanoni plan may make it easier for CD's to drop him from government helm after Presidential election in May, and to substitute Vanoni in preparation for ultimate Fanfani Government; (b) Scelba's anti-Communist campaign requires collateral forward economic movement if he is to retain his own position as leader of quadripartite; (c) Scelba might like without dotting eye have public gain impression he has US economic backing precisely because of progress he has made in anti-Communist struggle.

2. I believe that there is much to be said Scelba views and that a flat rejection of his proposal would be unwise in view of serious efforts he is making in anti-Communist field, and his real necessity strengthen his own political position.

C. Recommendations:

1. There are two possible ways dealing with Scelba's necessities. (a) Invite Scelba Washington and after economic discussions there, offer Scelba suggestions of some kind which would provide him with excuse or reasons before his public opinion to alter Vanoni plan into Scelba plan; (b) Accept Scelba's suggestion send important expert with political flavor to Italy to recreate atmosphere similar Dodge Mission to Tokyo. [4]

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[4] Joseph M. Dodge, President and Director of the Detroit Bank, headed a special financial mission in Japan for General MacArthur.

2. Latter approach would present serious disadvantage of putting us in position of having directly to support Italian Government efforts eliminate unemployment with unknown cost in US additional aid.

3. Embassy strongly urges first alternative: Visit to Washington. Believe Scelba visit could (a) provide Washington opportunity discuss Italian economic problems; (b) provide Scelba opportunity to convey impression on return that he has developed in conversations new approach to unemployment problem, which would then become not individual Vanoni but Scelba Government approach; (c) enable us to hand over to Scelba certain assistance already scheduled for Italy this year, e.g., surplus farm products under PL 480, as well as commitment on specified amount OSP in Italy. All this Scelba could bring home as his bacon.

4. Outstanding advantages US foregoing proposal are as follows: Scelba's visit Washingon would accrue to his government all political benefits from concrete attempt his part deal at top Washington level with economic *problem while* US would not at this time hope to provide any new aid or assistance over and above what is presently contemplated.

In conclusion, Embassy fully aware Scelba's proposal would constitute considerable change in present approach now linked with submission of fairly well publicized Vanoni ten-year plan to OEEC, and would create problem of how Vanoni plan would be dealt with in Paris in January. However, believe that Scelba can handle Vanoni-OEEC question if Washington visit is in offing.

LUCE

No. 795

765.00/12-1554: Telegram

The Acting Secretary of State to the Embassy in France [1]

SECRET NIACT WASHINGTON, December 15, 1954.

Tosec 10. For the Secretary—re Ambassador Luce's niact cable December 15 to you repeated info Paris 277. [2] Following are Department's comments. For your background, should Martino raise Scelba's suggestion with you. We believe considerable foundation Scelba's assessment of situation first para Part A. While present Italian coalition government perhaps not only possible anti-Communist battle force we believe is by far best in sight and preferable

[1] Drafted by William E. Knight and cleared with Jones, Freund, and Elbrick.

[2] Printed as telegram 2218, *supra*.

any probably successor. Believe particularly important moderate leftist groups continue to be identified with and to support as at present strong anti-Communist program. In view our interest in strengthening Scelba Government we believe we should not feel concerned even if Scelba move in fact inspired in part by desire to add to own personal prestige at expense of possible successor Vanoni.

In our view steady growth Communist bloc electoral strength in local elections particularly in South confirms gravity of situation. Since Commies increase seems checked in North believe this requires considering South special problem area of high priority. Also believe situation cannot be resolved by Italians alone despite their admirable new anti-Commie program [3] and necessary that additional resources both Italy and US be thrown into balance.

Department considering following three-fold attack on problem in connection preparation operational plan for OCB, each aspect of which believed essential and dependent upon others to achievement ultimate success:

A. More energetic Italian Government action . . . to harass and weaken Communist Bloc's organizational strength;

B. Increased US encouragement to development and strengthening anti-Communist organizations particularly in South;

C. Increased Italian Government action with additional US assistance and encouragement to press ahead with reforms and development programs particularly in South to alleviate significantly social and economic conditions on which Communism feeds.

To implement above program believe US must consider coordinated program of assistance to Italy over three-year period from various sources which would include PL 480; OSP; loans through Exim Bank and possibly other forms of aid. Implementation all these programs should be coordinated and in all possible cases be in direct support of and made contingent upon vigorous Italian Government action on parallel anti-Communist and economic fronts. Principal focus of all operations would be South.

Department of opinion present situation not only demands such action but Italian political and public-opinion atmosphere such that lasting results may be achieved. Concur Ambassador Luce's opinion para B–2 flat rejection Scelba proposal unwise if raised by Martino. Anticipate discussing this plan with Ambassador Luce on occasion her forthcoming consultation Washington early next month.

HOOVER

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[3] For information regarding the Italian Government's anti-Communist program announced on Dec. 4, see Document 792.

No. 796

Conference files, lot 60 D 627, CF 423: Telegram

The Secretary of State to the Department of State [1]

CONFIDENTIAL
PRIORITY

PARIS, December 16, 1954—10 p. m.

Secto 4. I called on Martino at Italian Embassy this afternoon. Vanoni, Quaroni, Rossi, Longhi and Magistrati were present. Merchant was with me.

Martino opened conversation by saying that he and Vanoni were disturbed by failure American aid discussed with Vanoni in Washington to materialize. I stated I was unfamiliar this subject but would speak to Stassen. I also suggested Vanoni see Stassen tomorrow which he will do. [2] From questioning Minister apparently referred to both agricultural surplus and OSP.

We discussed briefly impending Council discussion of MC 48 [3] and Martino mentioned his intention to refer, in statement before Council tomorrow, to Italian belief that after ratification Paris Agreements further effort should be made to explore possibility of constructive discussions with Soviets.

I congratulated Martino on recent Italian Cabinet anti-Communist action. He said they intended move vigorously on this front but expressed some apprehension over possibilities for trouble which Communists possess by reason of control of labor unions. He then said that Italian Government believed it would be helpful if in near future some high-ranking US military officer could visit Rome for few days and by his presence and advice to Scelba give them further courage in their anti-Communist campaign. [4]

From Martino's remarks and tendency of conversation to lag I gained impression that his desire to see me was for prestige rather than substantive reasons.

At close of talk I spoke to Martino alone and said that President would be happy to invite Scelba to visit Washington early next year and that I was anxious to ascertain whether or not such an

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[1] Drafted by Merchant and repeated to Rome.

[2] No record of a Stassen–Vanoni conversation on Dec. 17 has been found in Department of State files.

[3] Reference is to NATO document MC 48, "The Most Effective Pattern of NATO Military Strength for the Next Few Years."

[4] In telegram 2002 to Rome, Dec. 22, Merchant asked for Luce's advice on what, if any, followup should be made regarding Martino's request for a high-ranking U.S. military officer to visit Rome. (765.58/12-2254) In her reply, telegram 2339 from Rome, Dec. 24, Luce said that Brosio, speaking for Martino, had brought up the same subject and that she planned to ask Scelba directly what they had in mind when she saw him on Dec. 27. (765.58/12-2454)

invitation would be welcome. [5] Martino expressed obvious gratification and said that he could assure me that the Prime Minister would very much like to visit Washington. I said I could not be certain as to the time and inquired as to Scelba's plans. Martino said Scelba was going to London Feb 15 and that early in March would certainly be convenient for him to come to Washington. I said that I would discuss this matter with the President immediately upon my return and would be in futher communication with him on the subject.

DULLES

[5] In telegram 178 from Paris, sent to Rome Dec. 15 at 10 p. m., Dulles noted that he had previously discussed the Scelba visit with President Eisenhower, who had approved the idea subject to Luce's opinion that Fanfani would not regard such an invitation as an attempt to build up Scelba at Fanfani's expense. Dulles referred to his meeting with Martino scheduled for the following afternoon and asked for Luce's answer before then. He stated that she could, if necessary, reach him by telephone at Ambassador Dillon's residence at lunchtime. (Conference files, lot 60 D 627, CF 422) In telegram 279 from Rome, sent niact to Paris Dec. 16 at midnight, Luce replied that she was sorry that she had failed to make it clear that the Embassy in Rome had already weighed the question of Fanfani's reaction and concluded that Scelba's visit would be most useful to U.S. interests. She would also encourage Scelba to follow through on the recently announced anti-Communist campaign. (Conference files, lot 60 D 627, CF 419)

No. 797

DMS files, lot W-1444, "Italy 1954"

The Director of the United States Operations Mission in Italy (Tasca) to the Director of the Foreign Operations Administration (Stassen)

SECRET ROME, December 27, 1954.

DEAR GOVERNOR: The recent decision of the Cabinet to begin to hit the Communist apparatus in Italy [1] represents the first big turn in the Italian Government's attitude towards the Communist problem. As you will recall, fifteen months ago there was no such thought or effort on the part of the Italian political leaders or the Government. It has taken a year of hard effort to persuade the Italians that there was a real Communist danger in Italy.

In my view, this new Italian attitude is the result of a whole series of decisions and attitudes reflected in conversations with Italian leaders by the Embassy, the Mission, yourself and Secretary Dulles. The Ambassador has done an outstanding job of pressing very hard upon the Italians in every possible way the danger of the

[1] For information regarding this decision, see Document 792.

Communist apparatus, and has remained steadfast in her determination under difficult conditions. Your conversations with the Italians on several occasions, especially your last visit in Rome, [2] were also most helpful. The USOM here, you will be pleased to know, has played an important role in this process in the following ways:

. . . . . .

c. Our response to Italian Government requests for new assistance from the U.S. has brought out the central U.S. interest in effective Italian action to solve their Communist problem as a *sine qua non* to make U.S. assistance worthwhile. Discussions of Italian policy regarding foreign investment have also been tied to this theme.

d. Over a period of a year I have talked to all of the important Ministers time and again and to other key Italian leaders, discreetly and appropriately, on the great danger the Communist apparatus poses to Italy.

e. Encouragement has been given to the free trade unions to provide more vigorous and forward-looking policies for the workers. The great wage settlement this past year in part was encouraged behind the scenes by the Mission.

It is most heartening to see these U.S. efforts beginning to bear fruit. The pay-off, of course, will be at forthcoming elections, and it is too early to know how vigorously current Italian anti-Communist initiatives will be pressed to assure this pay-off. However, prospects look much more hopeful now than they did for several months after the June 1953 elections, when we were running rapidly downhill.

Cordially,

HENRY

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[2] For Stassen's report to Dulles on his trip to Italy, Oct. 26–27, see Document 789.

No. 798

865.00/12-2954: Telegram

The Chargé in Italy (Durbrow) to the Department of State

TOP SECRET ROME, December 29, 1954—5 p. m.

2376. Limit distribution. Following is text of memorandum of conversation Ambassador had with Scelba Dec. 27 on economic matters.

Ambassador raised question of Vanoni plan, which we understood had been accepted by Ital Govt and was to be discussed by OEEC in Paris and would be given favorable considerations by

Butler, Marjolin and Erherdt. She pointed out that this seemed to constitute an accepted channel for the discussion of Italian economic planning and aid. She added there was some uncertainty in her mind as to the exact significance which Scelba attached to the visit of an American economic expert which he had raised in a previous conversation (Embtel 2218 Dec. 14 [*15*]) [1] and which plainly suggested a new approach to question of future planning and aid.

Scelba countered that the Vanoni plan had not been accepted by the govt, but was a "private study" under consideration, and that it could be altered or turned down by the president of the council. He then stated, speaking very confidentially, that he himself had considerable doubt as to whether the plan would solve Italian difficulties, or whether OEEC was indeed the best forum for its discussion. He said that the point was that while such discussion would be economic that the economic difficulties of Italy had a political basis. He stated that the political situation was very grave, particularly in view of the Sicilian elections coming up, and that prior to these elections he would like to be able to announce a plan designed to solve the country's economic problems. (Vanoni himself stated did *not* expect OEEC report on plan to be ready before May. Tousfo 543 Dec. 27 [2])

He continued that OEEC could, no doubt, discuss technical aspects, but that the real answer to the politico-economic problems of Italy depended upon close bilateral relations with the United States.

The Ambassador raised the question of the sensitivity of congressional opinion to the appropriation of any very substantial further financial aid as a weapon against communism. Scelba referred to his first conversation with the Ambassador early year [3] in which, he said, he had been told that the President would make very exceptional efforts to aid Italy if the Italian Govt took vigorous action to defeat the Communist Party and to restore a healthy democracy. . . . Scelba said that they could not take such action immediately at that time because of other problems, primarily Trieste, which he believed to be essential pre-requisites to anti-Communist action. Today his govt was stronger and enjoyed a prestige which permitted it to take action. He continued that there were two great difficulties in attacking the PCI. One is that this party is very strong, and that violence and armed internal struggle must be foreseen as possibilities.

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[1] Document 794.

[2] Not found in Department of State files.

[3] This conversation, which took place on Mar. 3, is described in Document 770.

The second factor was this: that the anti-Communist struggle can take place only in a favorable politico-economic climate. "If I could assure employment to everyone and state that only the Communist Party prevented the realization of this plan, then I could attack the Communist Party on an all-out basis."

The Ambassador spoke of the necessity of there being a precise plan if not a Vanoni, then a "Scelba plan"! which would be known to the Congress, and which the Congress could support financially, as a blueprint of Italian action, in case the Italian Govt ran into difficulties in its fight against the PCI. Without responding precisely to this, Scelba reverted to the need for an economic expert to visit Italy. He said that the Vanoni plan was too vague, that if he himself considered it so, it was, of course, incomprehensible to a foreigner, and that he would be hard put to explain it with conviction in Washington, for instance. Could not President Eisenhower send an economist to aid Italian technicians in working out a project which would have a real chance of success? The presence of one or more American technicians here would be essentially a time-saving device since agreements would be reached on the spot and not require passing of drafts back and forth between Rome and Washington.

Scelba stated that the economic problem was urgent. The Govt has committed all available funds and existing laws and taxes cannot be increased. "Actually," he added, "for political reasons the govt must have the courage to reduce certain taxes affecting artisans, skilled workmen, and similar categories who are now paying more than they should." The Minister of Finance has assured him that there are no other visible sources of funds. So far as unemployment goes, all present projects can do no more than take care of the annual worker increment. He added that he could not see how the basic unemployment problem was to be faced without increased aid. He again stated that if he could guarantee work to all, he would not hesitate to outlaw the Communist Party, but that violent action against the party is impossible without the proper economic climate.

The Ambassador again spoke of congressional reaction, and the probability if not certainty that Congress would want assurances that Scelba's own debt, after having received large grants in aid, might not be replaced by a less vigorous govt which would renounce or slow down anti-Communist action. To this, Scelba stated that aid should not be thought of wholly as grants, but could include loans which would in the long run be no burden to the American taxpayer. Regarding the problem of his govt's stability, he stated that any govt which begins strong action against the Communists will gain in strength by so doing, that his govt having em-

barked upon this course, no future govt could renounce the struggle. He added that he regretted this in a personal sense because it might well mean that he himself would be engaged in the struggle for a long time and any period of repose might be sometime away.

Before close of conversation Scelba stated he had been surprised to learn from Vanoni that the surplus matter was not going well. He stated that Vanoni on return from Washington had conveyed impression all points were largely settled for allocation to Italians of sum of ninety million dollars. Scelba troubled to hear from Ambassador that she understood that except for possibly thirty million dollars worth agricultural surplus, discussions with Vanoni had been largely tentative. (*Comment:* Vanoni has been trying hard since his return to give impression that he alone brought home the bacon.)

Scelba re-emphasized delicate and confidential nature of the questions he raised particularly fundamental differences with Vanoni and requested that these matters be discussed only with highest U.S. authorities.

In view of Scelba's strong reservations about Vanoni plan any discussion by U.S. officials with Italians regarding that plan as such should be most reserved such as not giving any encouragement to his plans as outlined in Tousfo 543, Dec. 27.

DURBROW

No. 799

Editorial Note

The conversation between Ambassador Luce and Prime Minister Mario Scelba on December 27 ranged over several other subjects beside their discussion of economic matters as reported in telegram 2376 from Rome, December 29, *supra*. The portion of their conversation dealing with Italian-Yugoslav relations was reported in telegram 2363, December 28 (665.68/12-2854), and the portion dealing with the question of Protestant missionaries in Italy in telegram 2362, December 28. (811.413/12-2854).

REDUCTION OF UNITED STATES MILITARY ASSISTANCE TO PORTUGAL; PREPARATIONS FOR THE EXTENSION AND THE RENEWAL OF THE AZORES BASE AGREEMENT

No. 800

Editorial Note

For an overview of the relations between the United States and Portugal in early 1952, see a memorandum of conversation between Acheson and Salazar, February 22, volume V, Part 1, page 129. Acheson's own account of this conversation can be found in *Present at the Creation*, pages 627–628. For documentation on the participation of Portugal in NATO, including questions involving the status of Portugal in the NATO Annual Reviews, see volume V, Part 1, pages 1 ff.

753.5/7–2352:Telegram

No. 801

The Ambassador in Portugal (Cannon) to the Department of State

TOP SECRET PRIORITY LISBON, July 23, 1952—7 p. m.

39. Following is joint Embassy/MSA/MAAG message.

1. HQUSAF AFONS 53919 July 16 [1] says Portuguese jet program cut to 3 squadrons and requests country team evaluation.

2. This comes on heels exchanges between MAAG and Portuguese Defense Ministry which reveal most disturbing situation. In reply to MAAG survey [2] showing lag in Portuguese air program and pointing out Portugal unready accept delivery Jets by January 1953, Defense Ministry Chief MAAG July 3, [3] following would be consequences if Portuguese air end item cut:

a. As regards Portugal NATO committed ground forces, SHAPE would have to provide air support.

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[1] Not found in Department of State files.

[2] Not further identified.

[3] A copy of the Portuguese Defense Minister's reply is in Lisbon Embassy files, lot 59 F 53, "Portuguese Air Force Program, 1950–1952".

b. As regards Azores, they would be left undefended as Portugal unwilling assign their defense to another country.

c. If continental Portugal not to have at least 5 jet squadrons, government prefers abandon NATO rather than leave nation defenseless. Moreover, with only 5 squadrons Portugal would still have to be released from commitments assumed.

3. MAAG believes Portugal by maximum immediate effort can provide men and leadership to absorb 3 jet squadrons in calendar 1953 and with continued effort 2 more calendar 1954 but insufficient indication Portuguese initiation effort as yet.

4. MSA does not believe Portugal capable proper money support 5 squadrons and doubtful as to 3 (see general comments under paragraph 7).

5. If Portugal maintains their position elements of problem are:

a. Shall we drop air side of program? Purely on basis its present instructions re utilization end items, MAAG feels obliged to recommend this unless prompt evidence of concrete progress. We wish, however, point out risk involved (see 2 b and c above).

b. Shall we limit jet program 3 squadrons? This may require money from US, would involve risk of paragraph 2 b and c above, and probably require modification MAAG's direction to ensure that end items can be used effectively at time of delivery.

c. Shall we restore 5 jet squadrons program? This still entails risk (paragraph 2 b). It requires our financing and also suspension MAAG directive re effective use on delivery.

d. Shall we carry out c adding the 2 jet squadrons for Azores, entailing further financing and certainly relax utilization rule?

6. This situation brings out again, but possibly at a critical level, 3 incompatible elements:

First, what Defense Minister wants;
Second, what MDAP matériel US is prepared to furnish;
Third, what Portuguese Air Force has so far demonstrated it can do;
Fourth, what Portugal can and will finance.

Either matériel program must be reduced to what Portugal can finance and her Air can use, with risks of paragraph 2. Or to eliminate risks of paragraph 2, we must carry out course d of paragraph 5, or at least c of paragraph 5. Note that pending decision no reply can be made to Defense Ministry's letter.

7. Though Defense Ministry's document is in contrast with usual cooperation, and his position in some respects clearly unreasonable, we must assume his statement drafted after consultation with Salazar. We are naturally concerned also how this matter will affect other relations with Portugal considered of paramount importance. On study of whole program we think time has come for general reexamination. Dilemma goes back to beginning of program as point-

ed out in Toeca 154 and Torep 156, June 9, 1951 [4] and subsequently as for instance in TCC survey. [5] In order to get forward with this problem we must have definite information on general planning and US expectations Portuguese performance. Please supply urgently high-level guidance.

CANNON

[4] Neither printed. (ECA telegram files, lot W 130, "Lisbon Toeca and Lisbon Torep")

[5] For documentation concerning the activities of the Temporary Council Committee, see vol. v, Part 1, pp. 203 ff.

No. 802

Lisbon Embassy files, lot 59 F 53, "Portuguese Air Force Program, 1950-1952"

The Ambassador in Portugal (Cannon) to William B. Dunham of the Office of Western European Affairs

TOP SECRET LISBON, July 26, 1952.

DEAR BILL: I suppose you gathered from our telegram No. 39 of July 23 [1] that it is the deeper and more general aspect of the matter which disturbs me. Our country team would be able to work out a way to handle the proposed cut in the Portuguese jet program if we knew quite where we stand on general policy. It is for this that we need your help.

The trouble seems to go back to the very beginning: a general survey of requirements and expectations for the Portuguese program, originally on the optimistic side, perhaps, somehow got increased rather than scaled down, and the situation has been permitted to drift, with it becoming more and more apparent that what Portugal is prepared to spend on defense, in money, manpower and leadership, falls far short of what military forces she has been requested, and has committed herself to maintain.

When I say the situation has drifed I do not mean that the problem was not recognized. The messages cited in our telegram [2] showed it up a year ago; there have been exchanges enough with the Portuguese on the matter; and all the elements of the problem are on record in Washington. The trouble seems to be that no one on high level back home seems to have had it brought into focus for a review of what we are really prepared to do in order to obtain from Portugal the performance we expect.

[1] *Supra*.

[2] See footnote 4, *supra*.

In practical terms, it is the money gap, and our reexamination should start with that. But "policy" at once comes up, because someone must decide (if a lot of countries are whining for more money), how valuable Portugal is to us, and how important are the broader elements in these relations—the Azores, Cape Verde, uranium, etc.—beyond the practical calculations of the Portuguese contribution to the immediate NATO build-up. . . . Do you think you can manage to have the problem looked at from that viewpoint?[3]

[3]The source text is unsigned.

No. 803

753.5/8-1452: Telegram

The Acting Secretary of State to the Embassy in Portugal [1]

TOP SECRET WASHINGTON, August 14, 1952.

76. Paris pass SRE and US CINCEUR, London pass Director MAD, Frankfurt pass US CINCEUR, ref: Lisbon to Dept 39, [2] Defto 79, [3] and Defto 99. [4]

1. Agree time has come for general reexamination Portugal Force Program in light demonstrated capabilities. Washington now engaged in US eyes only study each NATO country's Force Plan in preparation for NATO Annual Review. Your further views re extent and direction politically feasible reductions welcomed.

2. Believe question of changing Jet program can best be resolved in Annual Review process. Current USAF Programming will permit delivery of 3 squadrons as scheduled for CY 1953 and 2 additional squadrons in CY 1954. This is and remains present US Program. As we see it, US should continue programming 5 Jet squadrons until Annual Review completed but, with due regard for essentiality of Azores bases, give Portugal clear understanding as recommended Defto 79 that both Program and rate deliveries depend upon their ability establish and maintain squadrons.

3. Suggest reply to DefMin make following points:

[1] Repeated to Paris, London, and Frankfurt.

[2] Document 801.

[3] Dated Aug. 2, this telegram advocated that the Country Team in Portugal undertake a campaign to persuade the Portuguese to take the necessary steps to prepare for the receipt of three squadrons of U.S. jet fighters. (Lisbon Embassy files, lot 59 F 53, "Portuguese Air Force Program, 1950–1952")

[4] Not found in Department of State files.

a. US has been forced consider reduction Portuguese Jet program in view lag in Portuguese air program and lack effective Portuguese efforts rectify this situation. Consideration of such action further necessitated by limited availability of jets to meet NATO requirements and applicability of NATO priority system (See Defense Cable DA 91452 sent to Director MAD London August 1 for transmission to MAAGs [5]);

b. US remains prepared deliver necessary Jet planes for 5 squadrons, if and when Portugal ready and able use, support and maintain them effectively, and program remains consistent with agreed NATO plans. Contingent upon effective and progressive implementation of program by Portugal which would assure full utilization of aircraft, US current programming will permit delivery of 3 squadrons as scheduled for CY 1953 and 2 additional squadrons in CY 1954;

c. On basis info available to US have grave doubts that Portugal, in fact, taking necessary steps to effectively utilize 3 squadrons, and certainly no present indication could receive entire program of 5 without violating basic concept MDAP requiring efficient use End Item Aid as well as corresponding SHAPE principles in recommending NATO priorities. Therefore, must request advice from Portuguese government as to Jet forces it will undertake to establish and maintain effectively and when will be ready to receive them. Actual delivery schedules will necessarily depend upon MAAG recommendations re ability Portugal to utilize programmed aircraft consistent with NATO priority criteria and available US resources to meet MDAP requirements;

d. US desires assist and cooperate with Portugal in this matter but considers responsibility for making Jet program possible other than supply of planes is Portugal's. US cannot undertake to underwrite through Defense Support financial burden of supporting and maintaining jets although will do everything reasonable to assist Portugal in developing and implementing necessary steps to make possible scheduled delivery of planes for 5 squadrons. [6]

BRUCE

[5] Not found in Department of State files.

[6] For a response to this telegram, see Document 805.

No. 804

Lisbon Embassy files, lot 59 F 53, "Dunham Correspondence, 1950–1952"

William B. Dunham of the Office of Western European Affairs to the Ambassador in Portugal (Cannon)

TOP SECRET WASHINGTON, August 15, 1952.

DEAR CAVENDISH: Thank you very much for your letter of July 26 [1] which was most helpful to us as a supplement to your telegram 39 of July 23. [2] As you may have imagined from the delay in getting out our reply, [3] we have had a very difficult time with this problem. However, I think that the process of getting out an answer has demonstrated clearly to those concerned in Washington that the difficulties involved are deeper and more general than just the jet aircraft program itself.

As you will have seen from our reply, the basic questions involved will come up for consideration at the time of the NATO annual review next month. In this connection the Embassy's memorandum which Johnny Carrigan sent me with his letter of July 25 [4] and MSA/W's ideas on Portugal as I know them indicate that we are all thinking along the same lines. By this I mean that there appears to be general agreement that we must review and coordinate Portuguese commitments to NATO, the program which they undertake to carry out to fulfill these commitments and such aid as the U.S. is able to give Portugal to assist them in their own efforts. Also I think it is generally agreed that the correct manner for approaching the Portuguese on these matters is not bilaterally, on a U.S.-Portuguese basis, but rather through the appropriate NATO organizations and the OEEC. The NATO annual review seems to me to be an ideal form, in this connection.

With regard specifically to our telegram, [5] I hope that you will find it completely self-explanatory. As we indicated the five squadron jet program is still on the books and will continue to be unless of course the NATO annual review should bring some revision. The planes can be delivered providing the Portuguese meet the multilaterally established and agreed standards for this exceedingly scarce type of equipment. However, as we indicated, we are not in a position to provide defense support assistance (i.e. economic as-

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[1] Document 802.

[2] Document 801.

[3] Reference is to telegram 76 to Lisbon, Aug. 14, *supra*.

[4] The letter has not been found in Department of State files; a copy of the memorandum, dated July 22, is in Lisbon Embassy files, lot 59 F 53, "Portuguese Air Force Program, 1950–1952".

[5] Reference is to telegram 76 to Lisbon, Aug. 14, *supra*.

sistance). While we realize this is not the answer which might be desired, it is the only possible answer in present circumstances.

Although the telegram may not adequately reflect it, I am afraid, all concerned here realize fully that our regard for acting according to certain multi-lateral standards must be tempered by our very important unilateral interests in the Azores. We have not lost sight of this consideration and I feel confident that it will be uppermost in the minds of the U.S. group who work on the NATO annual review. However, I do not think you can over-emphasize this consideration in such further advice and guidance as you may give us on this subject. Any further thoughts you may like to send me informally on this matter would be most welcome.

Best wishes,

BILL

No. 805

753.5 MSP/9-552: Despatch

The Chargé in Portugal (Carrigan) to the Department of State

TOP SECRET LISBON, September 5, 1952.

No. 117

Reference: Embtel 39, July 23, and Deptel 76, August 14, 1952 [1]

Subject: MDAP Air Force Program/Portugal.

The following is a review prepared by MAAG/Portugal and transmitted by the Country Team concerning the matter of deliveries and utilization of MDAP Air Force equipment to Portugal, subsequent to the situation reported in Embtel 39, July 23, and to the receipt of the instructions contained in Deptel 76, August 14.

"1. A memorandum was sent to the Minister of Defense on August 28 [2] along the lines of Deptel 76. Copies have been furnished to SRE/Paris and MAD/EUCOM as well as informally to the Bureau of European Affairs, Department of State. The following were the major points of this memorandum:

a. It reviewed past correspondence on the subject of aircraft deliveries under MDAP;

b. It stated that the two F-47 and 5 jet squadrons continue to be the U.S. program;

c. It reviewed activation program previously outlined by the Minister of Defense and showed that the United States equip-

[1] Documents 801 and 803.

[2] Not found in Department of State files.

ment program would permit realization of the first three phases of the Defense Minister's program;

d. It pointed out that two to three months had passed since the passage of the basic laws giving the Minister of Defense full authority to act, and that close approach of delivery date of the jets required discussion of air program;

e. It stated that, in spite of reduced utilization of F–47 aircraft on hand, the United States was prepared to deliver jets at a rate consistent with the demonstrated Portuguese ability to utilize, and in the quantity consistent with NATO plans;

f. It told the Minister of Defense, for his information, that from the United States point of view the minimum measures to qualify for receipt of jets on the present schedule consisted of the following: The establishment of capable Air Force Headquarters at once; activation of jet squadron at once; man jet squadron to 80% by October 1; man supporting units to 80% by January 1; the bringing of jet squadron and supporting units to 80% effectiveness standpoint of basic technical training prior to arrival of aircraft on January 1; establishment of effective supply and maintenance organization to support jets prior to January 1; intensification of airfields and runway construction to insure the availability of operational base and depot by January 1; it indicated that the United States would not undertake financial support—hence assurance should be forthcoming that Portuguese funds were available to support the program; it also indicated that if the schedule of preparation was impossible of accomplishment, the delivery schedule would have to be readjusted;

g. It stated that the United States doubted that Portugal could accept the full program without violating MDAP and NATO principles;

h. It outlined the United States view that Portugal was responsible for all phases of the program other than certain MDAP matériel and assured Portugal that the United States desired to cooperate in every way possible;

i. It stated that actual delivery depended on factors of MAAG recommendations, NATO recommended priorities and demonstrated ability of Portugal to utilize. It asked the Minister of Defense for a detailed statement indicating the number of squadrons Portugal would support from the standpoint of budget, organization, personnel, and facilities, and for detailed schedule of activation of these squadrons;

j. It assured the Minister of Defense of our understanding of the difficulty of the problems and offered the services of any MAAG officer who might assist in their solution.

2. A memorandum, dated September 1,[3] was received by the Chief of MAAG, from the Minister of Defense, on September 3 which is summarized as follows:

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[3] Not found in Department of State files.

a. It stated that at NATO revision conference Portugal would propose program for CY 1953 total 125 aircraft (100 fighters for continental Portugal and 25 for Azores). CY 1954 total of 200 aircraft (100 fighters and 25 awx fighters for continental Portugal, 25 fighters for Azores, and 50 fighters for SHAPE committed force). For CY 1955 finally arrive at total of 250 aircraft (100 fighters and 25 awx fighters for continental Portugal, 25 fighters and 25 awx fighters for Azores, 75 fighters for SHAPE committed forces). The Minister of Defense considers the program for 53 as firm, for 54 as provisional and for 55 as in planning stage. It further stated that in presenting the program to NATO, Portugal would note that accomplishment thereof was dependent upon the United States furnishing MDAP equipment.

b. The second paragraph acknowledged the receipt of MAAG's memorandum of August 28 and stated: 'If you will take the trouble to re-read most carefully your memorandum to me, you will certainly conclude that it is not reasonable to expect a reply signed by the Minister of Defense.' The Minister went on in the next sentence to thank the Chief of MAAG for the helpful information on organization and maintenance which was contained in an annex to the memorandum to the Minister of Defense.

3. In spite of the Minister's curt refusal to answer the memorandum in detail, there are indications that crash action being taken to implement many of its provisions. The law establishing Headquarters of a separate Air Force was implemented on September 4 by the appointment of a Chief of Staff and key officers. The Air Force has been opened to voluntary enlistments as of August 30. Advertisement for bids for construction of the runway, taxiways, parking areas, etc., at two air bases appeared in the local press on September 1. All leaves of Air Force officers were cancelled September 2, and those who were on leave were recalled as of September 10. Informal information was received on September 4 that CCTC base had been closed, as MAAG had suggested to provide personnel to man the new jet squadron.

4. As a sidelight to this problem but as an indication to the present attitude of the Minister of Defense, the local press report of the speech made before the Portuguese Legion on September 1st, on the occasion of the opening of a Civil Defense School stated 'The Minister of Defense affirmed that this school was created at an appropriate time without pressure from any country, association or foreign entity, etc.' "

The Country Team now is considering future action, and further developments will be promptly reported.

JOHN WILLARD CARRIGAN

No. 806

753.5 MSP/9-2652

Report by the Country Team in Portugal to the Secretary of State [1]

TOP SECRET
U.S. EYES ONLY

LISBON, September 25, 1952.

Subject: Country Team, Portugal, Recommendations on the Portuguese Ability to Receive and Support an Air Force Composed of Three or Five Jet Squadrons

After giving due consideration to the political, the military, and the economic considerations involved in this problem, the Country Team reached the conclusion that an air force composed of five jet squadrons could be supported by Portugal but that, as of the target date of the Medium Term Defense Plan, she could only support three squadrons, and that the Country Team should recommend that the Calendar 1953 MDAP end-item program toward this end should be supported, even though the immediate utilization will be weak. As regards the Calendar 1954 program, the Team believes that this should be considered later in the light of the Annual Review and such circumstances as might then obtain.

Due weight should also be given the fact that these papers have not been written on the basis of consultation with the Portuguese; and that, while we have some facts from which to draw conclusions, we must also make considerable use of unconfirmed reports, conjectures, and careful guesses.

What she can do and what she will do may turn out to be two very different things. Therefore, in order to present any study at all, the Team was forced to use two assumptions. The first of these is that "MSA assumes Portugal *can* spend on defense up to $90 millions annually." This runs contrary to what MSA believes Portugal *will* do. The second assumption is that "Portugal really does intend to have an air force and will devote to that air force any financial availability not assigned under her present TCC position even at the expense of other governmental projects." This assumption flies into the face of:

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[1] The Country Team, consisting of the political, economic, and military representatives of the United States in Portugal, represented respectively by Ambassador Cannon, James Minotto of the MSA, and Gen. Frank Camm of the MAAG, submitted this report at the joint request of the Deputy Commander in Chief of the U.S. European Command and the U.S. Special Representative in Europe. The report, of which only a covering summary is printed here, consists of four parts identified as Tabs A through D. Tab A dealt with military aspects, Tab B with economic aspects, and Tabs C and D with political aspects. The report was transmitted to Washington in despatch 166 from Lisbon, Sept. 26.

(a) what Portugal has said she would do;
(b) the National Development Plan (See Tab B.);
(c) the interests of the Army and the Navy.

The Team found the economic and the military factors involved relatively simple of approach, while, on the other hand, it found the political factors somewhat more difficult and yet, in all probability, the factors which, from the standpoint of the U.S. national interest, should in the last analysis be controlling.

From the purely military point of view, she is capable of supporting a 5-jet squadron air force and of bringing three squadrons to effective capabilities by the MTDP target date of July 1, 1954. She has the manpower; she can develop the training; she can set up infrastructure and organizational support; and she can develop the leadership, although this is the most difficult target for her in this field. Indeed, if she really wanted to do so, and again from a purely military point of view, subsequent to the MTDP target date, she can bring in the remaining two squadrons. (Please see Tab A.)

From the purely economic angle, Portugal can, and probably will, support 3 jet squadrons to July 1, 1954, supposing that we continue support in terms of MDAP end-item aid. When we desist from MDAP, she still could continue 3-jet support on her own, but present indications are that she is not prepared to do so. (Please see Tab B.)

As to the political considerations, the Team reached the conclusion that her internal political situation will permit a 3 to 5 squadron air force, and, indeed, she might even maintain a larger force without developing such internal stresses as would create a domestic political problem. (Please see Tab C.) The Team then found itself faced with a second political consideration: should this problem not be approached from the point of view of US-Portuguese relations rather than from the point of purely domestic Portuguese political factors? And, if so, granted the scarcity of jets and the lower standard of effective Portuguese use thereof, what would be the minimum number of squadrons while still maintaining an atmosphere favorable to our other requirements? Necessarily, the question came up, exactly how much do we want from Portugal and what are we prepared to pay for what we want? In discussing this problem, the Team reached the following conclusions:

(1) US-Portuguese relations are the controlling factor in this problem;

(2) these relations would be impaired if we failed to implement the 3-jet program for 1953 regardless of the requirements for completely effective support and end-use;

(3) these relations would be impaired if we failed to implement the 2-jet additional program for 1954 if the Annual Review priority classifications warranted such a program;

(4) but, if the Annual Review did not warrant such a program, some of the onus might be transferred to, but still *shared* with other NATO countries, and our relations *might* not be seriously affected.

As the Team was unable to estimate the values to the United States of those other requirements the United States expects Portugal to grant and how to translate these values into the price we are willing to pay, it found it difficult to reach a recommendation. On the basis of instructions the Team and its components have received concerning our requirements in and from Portugal, we believe it appropriate to assume the values to be such that it should recommend implementation of the 5-jet squadron program if the Annual Review approves of adequate priorities; that, if the Annual Review does not approve of adequate priorities, this matter should be reconsidered in the light of what we at that time still require from Portugal; and that, in any event, the MDAP-programmed deliveries of 3 jet squadrons for 1953 should go forward. (Please see Tab D.)

The considerations, the conclusions, and the recommendations are all premised on the assumption that war will not break out between the Western Powers and the USSR prior to July 1, 1954.

JAMES MINOTTO CAVENDISH W. CANNON FRANK CAMM

No. 807

753.5 MSP/3–1853

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Wilson)

TOP SECRET WASHINGTON, February 2, 1953.

Subject: Portuguese Ability to Receive and Support a Jet Air Force

1. The Joint Chiefs of Staff have considered a question of Portuguese capability to support a jet Air Force as raised by a regional study [1] on this subject which was developed at the request of the Deputy Commander in Chief, U.S. European Command.

2. The country team (MAAG, MSA and Ambassador) states that Portugal now possesses the capability to support one jet aircraft squadron and should develop the capability to activate two addi-

[1] Reference is to the Country Team Report, dated Sept. 25, 1952, *supra*.

tional squadrons by July 1954. A regional position has been established by the country team to the effect that the delivery of at least three squadrons of jet aircraft is considered necessary to prevent adverse political reaction by the Portuguese Government in relation to base rights and other negotiations.

3. Present U.S. Air Force Mutual Defense Assistance Programs (MDAP) contain aircraft and matériel sufficient to activate five jet squadrons in Portugal by June 1955. The Portuguese Government has knowledge of these programs.

4. Reprogramming actions are required at this time to prevent the dispersal and probable waste of MDAP matériel. In this connection, and from the military point of view, the Joint Chiefs of Staff have concluded that, for the foreseeable future, the military capability of the Portuguese Air Force is limited to three squadrons.

The Joint Chiefs of Staff therefore recommend that you approve the deletion of the fourth and fifth squadrons from the Air Force MDAP for Portugal. [2]

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
Chairman
Joint Chiefs of Staff

[2] The Secretary of Defense approved the JCS recommendations and transmitted the decision to the Department of State in a letter dated Mar. 18. Wilson recommended in his letter that the decision to reduce the planned military aid be made to appear as a product of the NATO Annual Review, rather than as a unilateral decision by the United States. (753.5 MSP/3-1853) In a reply dated May 25, Acting Secretary of State Smith stated that the Department of State was fully in accord with the Department of Defense decision, and that the fact of a reduction in aid to Portugal had already been made known to the Portuguese through the Annual Review. (753.5 MSP/3-1853)

No. 808

611.53/7-3153: Despatch

The Ambassador in Portugal (Cannon) to the Department of State

TOP SECRET LISBON, July 31, 1953.

No. 92

Reference: Depcirtel 53, July 23, 1953 [1]

Subject: Portuguese Opinion of United States Policy

[1] See footnote 1, Document 824.

Leaders in the Government and in the formation of public opinion in Portugal have made satisfactory adjustment to the new situations in the United States resulting from the change of Administration six months ago. For reasons peculiar to the personalities, institutions and past experiences of this country the United States must reckon with certain pervading reservations in Portugal as regards some of our American concepts and projects, but this Portuguese attitude has not been greatly affected one way or another by the new orientations in American policy. On the specific topics put forward in the Department's telegram a generally satisfactory report can therefore be recorded:

There is no appreciable lessening of confidence in United States leadership; the Portuguese do not mistrust the motives underlying American policy toward the USSR; the Portuguese still have confidence in the intentions of the United States to support its Allies in measures designed to strengthen free world security; they do not feel that the United States is failing in its responsiblities in world leadership; their attitude toward United States leadership has not been appreciably influenced by our domestic political events.

The reasons for Portuguese reservations as regards American policy, referred to above, must therefore be sought elsewhere. Public opinion in Portugal, hardly less than the actual administration of the Government, reflects the dominant influence of the personality and philosophy of Dr. Salazar. Even the opposition elements have had to adjust themselves to these influences. Recollections of the political, economic and moral disintegration of the country during its brief experience of a "democracy" early in this century have produced a measure of skepticism and cynicism as regards the operation of popular government. Many of the events in the United States in recent months have therefore been regarded with easy toleration, as a demonstration of how other types of government operate, rather than with any real anxiety.

On the other hand, it happens that after a long period of casual and routine relations with the United States it is only in the very last few years that the Portuguese are coming really to understand the Americans, and to feel any community of interest with us. This experience has been stimulating to them. They may indeed consider us impulsive and impatient; they may think we exaggerate certain dangers, to which, incidentally, they have themselves not been directly exposed; but they admire the energy and generosity with which we are facing up to the responsibilities of world leadership.

The Portuguese response to our leadership is rather different from, and considerably more complex than that of other European countries. With all the sensitiveness of a little nation which for a long time was almost forgotten on the fringe of the Continent, but

which has kept alive the prideful memory of days when it was indeed the great Atlantic power, Portugal naturally could be expected both to be gratified by a recognition of its importance in the Atlantic and European community, and to be unreceptive to large doses of advice, and resentful of reminders of its obligations.

In this situation the United States has been fortunate, in that Portugal has not needed American aid on the scale encountered elsewhere in Europe; and consequently the aid program has not been exposed to the stresses of sudden expansion and pressures, or the dislocations of prospective contraction. Because aid to Portugal began rather late in the general European program, and has been moderate in scope, there have not been the reminders of large-scale American supervision, or "interference", and the friendship has not cloyed. Moreover, since this country had been spared the ravages of war and the economic crises of Europe generally, the Portuguese, from a practical point of view, can view with less concern the American intention to revise the foreign aid program.

As regards Portugal, then, the attainment of our policy objectives has not been hampered by actions and events on the domestic political scene in the United States. To attain these objectives, however, we must take into account the fact that the Portuguese evaluation of the world situation is rather different from our own.

To the degree that decisions in American policy or political events within the United States might give the impression that we ourselves are tiring of the effort, or inconstant in seeking the objectives to which Portugal has somewhat slowly been brought to join, the task of building greater strength and enthusiasm here will become more difficult. We need not preach to the Portuguese on how to handle their communists, or on distrusting the maneuvers of the Soviet regime; but we must not forget that for Portugal the Elbe seems far away, and except for her small and rather sorry experience in participating in the first World War she has managed over long periods of time, usually to her demonstrable profit, to avoid involvement in the quarrels of Europe. We must on all occasions bring home to the Portuguese a realization of the dangers in the world, and particularly their own exposure to these dangers; and we must keep constantly before them their interest as well as obligation to do their part whole heartedly in the common enterprise.

CAVENDISH W. CANNON

No. 809

Iberian Desk files, lot 58 D 481, "Azores, 1952-1954"

Memorandum by the Second Secretary of Embassy in Portugal (Carrigan) to the Ambassador in Portugal (Guggenheim) [1]

SECRET LISBON, January 19, 1954.

(1) As on January 1, 1957, the present Azores Agreement will come to an end. [2]

(2) It is felt that it is not too early to begin thinking, among ourselves alone, as to the atmosphere which may prevail during the negotiations we assume will be undertaken looking toward renewal of the Agreement; as to the timing of the negotiations; and as to the methods we might follow.

(3) Accordingly, we feel that the entire question of military or economic support cannot be dismissed if we seek a favorable atmosphere during the Azores talks. (See underlying notes.)

(4) As to timing, it would of course be preferable if it were possible to take up these talks before any unpleasant atmosphere has been created. However, it is the consensus of present opinion that to discuss the Agreement a year or more before it comes to an end would bring about no results, and that it would be better to bring up the question as near to the actual termination date as possible.

(5) As to methods, the Embassy has learned, informally, of the thought that the renewal of the facilities arrangements should be on the basis of an entirely new agreement in which would be injected a large number of new factors and requirements. The Embassy feels that it would be preferable to think in terms of the simplest possible exchange of notes, merely arranging for the continuation for a given period of the actual basic accord, and to take up, subsequently, the new requirements and factors as matters to be injected into annexes to the basic agreement. Our problem, and the compensations the Portuguese will ask, render the situation far too complicated for us to revamp the entire approach.

Notes on "Atmosphere"

(1) Our principal assistance, on the Portuguese side, the last time the Azores were discussed, came from the Defense Minister, Col.

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[1] This memorandum was transmitted to Ambassador Guggenheim, then in Washington for consultations, under a covering letter from Carrigan, Jan. 29. Guggenheim had been appointed to replace Cannon, who left his post Aug. 1, on June 24, 1953. Guggenheim presented his credentials on Aug. 12.

[2] Reference is to the Defense Agreement Between the United States and Portugal Respecting Use of Facilities in the Azores, signed Sept. 6, 1951. The text of this agreement is in 5 UST (pt. 3) 2263.

Santos Costa. It is probable that he will still be Defense Minister at the time we open the new talks. It is also probable that we will again be looking to him for assistance. His own attitude, therefore, is one we should take into consideration.

(2) Our principal problem, with him, over the last two years, has concerned the Portuguese Air Force, and this problem has been coming to a critical point in connection with jet planes.

(3) He has received one squadron of jets, and there is another due shortly. Scheduled for year's end is the arrival of a third squadron, although MAAG, within the strict terms of the concept of its mission, has been forced to recommend that this squadron should not be sent.

(4) Its recommendation is based on the assumptions that, first, our spare parts support to Portugal will be nil in Fiscal Year 1955; and, secondly, that Santos Costa will not be able to devote the budgetary support which would be necessary to operate the three jet squadrons.

(5) MAAG reached the first assumption on the basis of the following:

The Joint Chiefs (CINCEUR telegram to MAAG, December 9, 1953 [3] decided that the end-item support would be cut out in Fiscal Year 1955.

The Office of the Secretary of Defense (Air Force Matériel telegraphed MAAG December 22 [3]) was studying the eligibility of various countries to continue receiving such support in FY 1955, basing their studies on the Country Team evaluations of the countries' capabilities to support forces. The Office of the Secretary of Defense (Air Force Matériel to MAAG, January 6 [3]) stated that no spare parts were programmed for FY 1955 for Portugal as OSD held her ineligible under the ground rules for the determination of eligibility.

(6) MAAG reached its second assumption (budgetary incapability to support three squadrons) on the basis of the following:

The Defense Minister is presently budgeting the escudo equivalent of $12,000,000 for Air. If spare parts support is cut off, the three squadrons, on an austerity basis, will cost him $25,000,000 annually.

The total military budget (1955–1956) will probably run around $50 millions to $52 millions (regular—$43 millions; NATO, $7 millions).

The Defense Minister will find it difficult to justify allocation of some fifty per cent of his entire defense budget to one service.

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[3] Not found in Department of State files.

(7) If the present assumptions are correct, Santos Costa will not have the financial ability to support his planes.

(8) His Air Chief of Staff was advised of the cut-off date for spares just recently. He sent this advice to the Defense Minister who (according to the PAF C/S) merely filed it, placing thereon the word "Noted". There was no known immediate reaction on his part.

(9) Santos Costa has assumed full responsibility for the Air Force. He will have the blame for failure, or for having to approach Salazar asking for more money.

(10) Santos Costa, we can only assume, rather than accept this blame, will then make the Azores the subject of a "*quid pro quo*" arrangement.

(11) It will be recalled that, in discussing SACLANT's Espinho and Montijo, requirements, Santos Costa attempted to "price" these in terms of jet planes. The Azores will certainly have a higher price.

Recently, also, our Air Force renewed its interest in Sal Island (Cape Verde group) where they may eventually want facilities similar to those in the Azores.

(12) It may be more realistic to attempt to keep the "quid" and the "quo" apart, and, as a tactical matter, it might be better for us to set up our "quo" before we try to obtain, from him, his "quid". In other words, let us determine how far we will go on the basis of our needs.

No. 810

Lisbon Embassy files, lot 64 F 17, "Dunham Correspondence, 1950–1954"

William B. Dunham of the Office of Western European Affairs to the Counselor of Embassy in Portugal (Carrigan)

TOP SECRET INFORMAL WASHINGTON, February 8, 1954.

DEAR JOHNNY: You will recall our correspondence of last Spring and Summer regarding the question of additional US military requirements in the Azores. [1] These requirements are now approaching final form and we discussed them informally with our friends at the Defense Department and with the Ambassador and Aaron Brown while they were here on consultation last week. As I promised them I am writing now to describe as briefly as I can what these requirements are so they can have this information when

[1] The correspondence, mostly in the form of personal letters, is in Lisbon Embassy files, lot 64 F 17, "Dunham Correspondence, 1950–1954".

they arrive and so we may have any comment which this outline may stimulate. Unfortunately, your letter of January 29 [2] arrived late in the day on Friday, February 5 and we did not have a chance to talk with the Ambassador about it. However, as you will see, the circumstances are now a bit different, both as to the requirements and timing, so you may want to review your comments in light of this.

The new requirements for the Azores include: increasing the personnel ceiling from 1200 to 2400; securing additional land areas; equipping the air rescue unit with B–29's; and stationing a fighter interceptor squadron. We realize that the questions of the personnel ceiling and the land areas were taken up by Col. Smith with the Portuguese last Spring, albeit without appropriate authorization, and it may prove to be somewhat embarrassing to come back so soon on the same subjects. However, I am afraid that is the price we must pay for the uncoordinated action which he took. We also realize that the fighter interceptor squadron may engage us in the discussion of a subject on which the Portuguese feel rather strongly, but this is something we will have to face.

A second category of requirements concerns the right to station a minimum support unit at Sal Island, in the Cape Verde Islands, and to develop the local air field for use in connection with an alternate central Atlantic route. The Defense Department has suggested that the Defense Agreement of September, 1951 be broadened to provide for these additional military rights.

At the same time Defense suggests we request that the Defense Agreement be extended for an additional five years or longer. They would also like to remove the restriction in the Agreement which provides that the US commander shall not be of higher rank than the local Portuguese commander. Since Defense is planning to have a unified command in the Azores, the removal of this restriction would make it possible to station a general or flag officer there whenever that is deemed desirable in the future.

A number of questions have arisen in our minds regarding these Defense Department proposals and we hope to resolve them before they send us an official letter setting forth their requirements and recommendations.

First, we have suggested that we leave to the discretion of the Ambassador and the negotiators the question of whether to incorporate the Sal Island requirements into the Defense Agreement. We have pointed out that the requirements in the Azores were processed through NATO and became NATO requirements and the current Defense Agreement was thereafter made in response to a

[2] *Supra.*

NATO invitation to both governments. The Sal Island requirements can properly be included under the Defense Agreement since they are subsidiary requirements in support of NATO and as such, according to NATO determination, do not have to be processed as NATO requirements. Nevertheless, we feel this is a question which can be better determined on the spot in the light of Portuguese views developed during the negotiations.

We would also leave to the Ambassador's discretion the question of asking for an extension of the Defense Agreement—depending on how the talks go—and the question of asking for a change in the provision with regard to the rank of the US commander. With respect to the latter, it seemed to me that it might be preferable, if it would work, to settle this matter informally.

Questions have also arisen regarding the *modus operandi*. Since the matters to be discussed with the Portuguese are primarily questions of technical and military detail, the plan is to proceed as we have with all of our previous negotiations on this subject, i.e., to send several military officers, probably one from each service headed by Col. Smith, to conduct the actual discussions under the Ambassador's watchful eye, and, as in previous cases, presumably under Ted's tutelage. Defense has asked us whether they should again send a letter to the Defense Minister from the Secretary of Defense to assist in introducing the subject and these military officers. This seemed to be helpful in the past, and it occurred to us that such a letter, presented as seems best locally, might be useful.

With best regards,

Sincerely yours,

BILL

No. 811

EUR files, lot 59 D 233, "Portugal, 1948–1955"

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Deputy Under Secretary of State for Political Affairs (Murphy) [1]

CONFIDENTIAL [WASHINGTON,] May 20, 1954.

Subject: Portuguese Ambassador's Call regarding Goa

Discussion

The Portuguese Ambassador, Sr. Esteves Fernandes, is calling on you at 5 p.m. today on instructions from his Government in order

[1] Drafted by Rabenold and Dunham.

to discuss Goa, a small Portuguese colony on the southwest coast of India. This is the second time recently that the Portuguese Ambassador has been instructed to take up this matter at the highest level in the Department, the first interview having taken place with Under Secretary Smith on April 9. [2]

At that meeting he handed General Smith a memorandum [3] which described the agitation inspired by the Indian Government for the elimination of foreign pockets such as Goa from Indian soil. Our reply on May 3 [4] stated that the US has been following this situation closely, is concerned over the controversies involving both Portuguese and French possessions in India, and hopes that an amicable understanding may be reached before the issue reaches serious proportions.

Meanwhile, the Portuguese Government has contended that Article IV of the North Atlantic Treaty (consultation in case of threat to territorial integrity), as well as the Anglo-Portuguese Alliance, apply. The Indian Government has denied the applicability of Article IV, further stating that it is not bound by treaties to which it is not a party. Our position with regard to Article IV is that it covers all territories of NAT members, and we are so informing the Indian Government in reply to its note requesting our view on this subject. We also advised the Portuguese Counselor of our position, when he inquired yesterday, and said the we expected our reply to be given to the Indians today or tomorrow at New Delhi.

(It was clearly understood by all Parties to the North Atlantic Treaty, at the time of its signature, that Article IV is applicable in the event of a threat in any part of the world to the security of any of the Parties, including a threat to the security of their overseas territories. The applicability of Article IV to overseas territories *outside* the NAT area, such as Goa, is not to be confused with the obligations of members under Articles V and VI for appropriate action to resist armed attack *within* the NAT area. See text, Tab A. [5])

Recommendations

1. That you reaffirm the position stated in our note of May 3 to the Portuguese Embassy, and our views on the applicability of Article IV.

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[2] No record has been found in Department of State files.

[3] Not found in Department of State files. Documentation on the conflict between India and Goa is in file 753D.00.

[4] Transmitted in telegram 350 to Lisbon, May 6. (653.53D/5–654)

[5] Not found attached to the source text.

2. If the Ambassador raises the question of invoking Article IV, that you express our doubt that this course would prove desirable from any viewpoint, including their own, because:

(a) We do not think such consultation would result in any action by the Council.

(b) If the Council should take any action, it is doubtful it would be effective in producing a solution and would allow Communist propaganda to arouse Indian and South Asian sensitivities regarding a "Western Bloc" and the preservation of colonialism.

3. If the Ambassador indicates that his Government is intent on invoking Article IV, that you suggest the wisdom of determining in advance the attitude of NAT members. (Unanimous approval is required for any NAT resolution and the Portuguese would undoubtedly wish to avoid failure in obtaining such action after formally raising this subject in NATO.) [6]

[6] Subsequent to the meeting between Fernandes and Murphy reported here, the Portuguese Government dropped its plan to invoke Article IV of the North Atlantic Treaty. But when the unrest in Goa continued unabated throughout the summer, the Portuguese sought to enlist U.S. aid in the form of representations to the Indian Government and of a strong public statement condemning Indian aggression, as reported in telegram 519 to London, July 26. (753D.00/7-2654) In telegram 20 to Lisbon, July 28, the Department of State revealed its reluctance to make representations to the Indians, on the grounds that the United Kingdom was in a better position to do so, and refused categorically to make a public statement condemning the Indian action. (753D.00/7-2754) As reported in telegram 37 to Lisbon, Aug. 9, the Portuguese then turned to the idea of exerting pressure on India by the formation of a joint commission, consisting of members from the United States, the United Kingdom, and Belgium, which would possess observer status in the conflict between India and Portugal over Goa. (753D.00/8-954)

No. 812

791.022/8-954: Telegram

The Ambassador in Portugal (Guggenheim) to the Department of State [1]

SECRET PRIORITY LISBON, August 9, 1954—6 p. m.

30. Shortly before noon today Foreign Office called saying Foreign Minister wished to see me urgently, and that subject was of such importance that he wished Secretary General Foreign Office and another Embassy officer present too.

With great bitterness, Foreign Minister said tremendously disappointed our failure to take public position on aggression Portuguese India. Said he was aware reasons we gave, but convinced

[1] Repeated to New Delhi, London, and Paris.

that these not real reasons; thought decision stemmed from mistaken policy anti-colonialism (referring August 4, *New York Times* article which he had on desk).

He said we were profoundly wrong if we thought anti-colonialism the antidote for communism, and anyway Goa not a colony but, after 400 years, on a level with rest of Portugal and with culture distinct from India as admitted by even Nehru. Present situation, moreover, not one involving freeing colonial people but of open imperialistic aggression by India against another sovereign state.

Pointed out how many nations had taken public stand on matter, stressing action taken by British who, he said, because of Commonwealth ties were in a much more delicate position than we. Added that Portuguese people unable understand our silence.

Portugal, he went on, had consistently collaborated with US politically and had never asked economic or other *quid pro quo*. He felt strongly, however, that Portugal had right to expect political collaboration in return, particularly where matters of principle so clear. Gave emphatic warning that if Portuguese territories taken over in absence public stand by US we would lose all prestige built up here. Moreover, this situation would result in changes in Portugal, both internally and in foreign policy. Very pointedly said did not see how this could fail gravely affect such things as NATO and Azores. At close his exposition, which lasted an hour, said this was most serious statement he had ever made on Portuguese-US relations.

Then referred to Portuguese proposal neutral observers [2] (which Embassy informed warmly approved by British) expressing strong hope that we would publicly recognize the obvious fairness of the Portuguese proposal.

Comment: It is thoroughly evident that Foreign Minister, and indeed whole government, is sincerely aroused at what they consider very shabby treatment our part in contrast generous open support given them by others. Cunha is not one to imply double-dealing (see paragraph 2) lightly.

Difficult assess seriousness scarcely veiled threat not to extend Azores agreement. Should present mood of government continue, however, we can hardly expect other than deterioration Portugal–US relations.

GUGGENHEIM

[2] See footnote 6, *supra*.

No. 813

753D.00/8–1054: Telegram

The Secretary of State to the Embassy in Portugal [1]

SECRET WASHINGTON, August 11, 1954—7:34 p. m.

40. London's 726 repeated Lisbon 9 New Delhi 22.[2] While question independent observers now academic in view Indian reaction [3] Portuguese proposal Department today requested Portuguese Ambassador communicate following his Government:

1. US Government disturbed by several statements made by Portuguese Government on recent occasions through its Embassy Washington which have misled US Government in formulating its position in controversy involving Portuguese possessions India. Reference made specifically to Portuguese information that their note to GOI August 8 regarding proposal neutral commission would name UK and Belgium as two of three countries which had agreed serve as members Deptel 37 Lisbon 193 New Delhi repeated London 808 Paris 502.[4] Subsequent information received Department has indicated these statements inaccurate and placed us in embarrassing position. While US Government intends follow its well-known policy favoring peaceful settlement international disputes it dependent on accurate information Portuguese actions and intentions in formulating responses to specific Portuguese requests and communicating them to both governments Portugal and India.

2. Department likewise disturbed by strong statements to American Ambassador by Portuguese Foreign Minister August 9 [5] which not only indicate incomprehension US position on part Portuguese Government but make unfair comparison between what US willing do for Portugal and generous support other nations are said to have offered. US Government feels it has given expeditious and sympathetic consideration past Portuguese requests this matter

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[1] Drafted by Rabenold and cleared with Murphy and Elbrick. Repeated to New Delhi and London.

[2] Dated Aug. 10, this telegram revealed that the Governments of the United Kingdom and Belgium had not, contrary to the assurances made by the Portuguese Embassy to the Department of State on Aug. 7 (reported in telegram 37 to Lisbon, Aug. 9; 753D.00/8–954), accepted the Portuguese proposal for a tripartite observer commission. (753D.00/8–1054)

[3] As reported in telegram 196 from New Delhi, Aug. 10, the Indian Government rejected the Portuguese proposal for an observer commission on the grounds that it was "unworkable and impractical." (753D.00/8–1054)

[4] See footnote 2 above.

[5] Reference is to the statements contained in telegram 30 from Lisbon, Aug. 9, *supra*.

and that its present policy is one most likely induce peaceful settlement.

Ambassador requested convey above Foreign Minister and submit full report promptly. [6]

DULLES

[6] As reported in telegram 36 from Lisbon, Aug. 13, Ambassador Guggenheim met with Cunha on Aug. 13 in compliance with these instructions. Guggenheim reported that Cunha was in a much friendlier mood than had been the case on Aug. 9, but that he denied having intentionally misled the U.S. Government as to the supposed British and Belgian acceptance of the observer commission proposal. (753D.00/8–1354)

No. 814

753.5 MSP/9–1354: Telegram

The Secretary of State to the Embassy in Portugal [1]

SECRET WASHINGTON, September 13, 1954—4:48 p. m.

78. Cotel. This is State–Defense–FOA message. We have reviewed US position regarding Portuguese Air Force. Available country team reports indicate Portugal possesses economic capability support three squadrons of fighter bomber aircraft after June 1955 without further US assistance. We understand considerable difficulty has been experienced in obtaining from Portuguese MOD specific data regarding Portuguese budgetary and costing estimates. It is proposed you transmit memorandum to Portuguese Foreign Office along following lines but request country team comments beforehand:

"In view announcement made by US in course of 1953 AR to effect US would at some future date consider MDA airforce program for Portugal greater than three squadrons now programed, US wishes determine its present position in relation to this statement. US also desires reaffirm US view previously stated Portuguese Government possesses economic capability supporting three squadrons of fighter bomber aircraft after June 1955 without further US support. Fundamental to US considering MDA program for Portugal greater than three squadrons now programed is knowledge regarding Portuguese intentions and capability supporting three presently programed squadron without continued US support. It is therefore desirable this problem be discussed at earliest convenience between US country team and appropriate defense authorities Portugal in order establish basis for agreement on facts involved with special reference to estimates of support costs and

[1] Drafted by Levy-Hawes and cleared with Jones, Beigel, Roper, Sharpe, and Kranich. Repeated to Paris and Wiesbaden.

Portuguese budgetary plans cover such costs. Without satisfactory consultations these points, US will be unable consider question increasing MDA program for Portuguese airforce. In fact, if some agreed position concerning Portuguese capability support MDAP furnished equipment cannot be developed, may be necessary for US re-examine present delivery plans for third squadron."

For your information, proposed cut-off date for MDAP airforce spare parts Portugal was originally cut-off date for all Western European countries. However, due delay in delivery F84F to so-called EDC countries, cut-off date for spare parts these countries was postponed for one year. Postponement was based on fact these countries were planning on receiving F84Fs to replace F84Gs and therefore had not budgeted for extended support of F84Gs. This lack budgetary availabilities reflects unforeseen delay in US delivery aircraft rather than inadequate planning on their part. However, Portugal has had adequate time effect budgetary planning for this cut-off date. Therefore, we do not now propose delay cut-off date beyond 30 June 1955 in case Portugal. Portugal's intentions and capability supporting her own forces can best be determined through experience and presently established cut-off date can always be extended after Portuguese intentions and capabilities are better known.

We prefer take firm position at this time since we can eventually modify our position if and when it could reflect more favorably as a concession should Portuguese relate support of their military forces to satisfactory renegotiation of Azores agreement.

Wish your comments in context likely effect foregoing approach at this time on Azores renegotiation, bearing in mind above approach would probably be proposed as US position in NATO AR which likely be completed prior opening Azores renegotiation.

Comments info addressees also requested. [2]

DULLES

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[2] In telegram 71 from Lisbon, Sept. 16, Ambassador Guggenheim indicated his agreement to the transmission to the Portuguese Government of a note along the lines proposed in this telegram. (753.5 MSP/9–1654) A note to that effect, a copy of which was transmitted to Washington in despatch 233, Oct. 14, was handed to the Portuguese Foreign Office on Oct. 7. (753.5 MSP/10–1454) As reported in telegram 150 from Lisbon, Dec. 3, Brown had an interview with Santos Costa on Nov. 30 to discuss that portion of the note which called for consultations between the Country Team and the Portuguese regarding the future size of the Portuguese Air Force. Santos Costa, according to Brown, accepted the proposal only with the greatest reluctance. (740.5/12–354)

No. 815

753.5 MSP/10-154: Telegram

The Chargé in Portugal (Brown) to the Department of State

SECRET LISBON, October 1, 1954—6 p. m.

92. Re Deptel 93. [1] Whenever timing considered during past year, we have consistently reached conclusion renegotiation Azores agreement should not for best results be opened 1954 and preferably not till late 1955. Agreement expires December 31, 1956. While Portuguese fears and sensibilities re our ultimate intentions in Azores have been substantially allayed, latent suspicions that we harbor long term ideas, to which they always object, would probably be aroused if Portuguese prematurely approached this subject.

Having in mind cold war atmosphere in which present agreement was reached, we believe once Portuguese are convinced that world conditions at termination of agreement warrant renewal on their part, they will acquiesce without undue difficulties. In our opinion, however, they will want to wait until eleventh hour to satisfy selves on this key point.

Also Portuguese have Goa very much in mind and therefore desirable allow ample time this problem settle down from present acute stage when US neutrality still much resented.

BROWN

[1] Dated Sept. 30, telegram 93 requested clarification of a statement made in telegram 71 from Lisbon, Sept. 16, to the effect that the negotiations for the renewal of the Azores Agreement should be delayed as long as possible. (753.5 MSP/9-3054)

No. 816

611.53/11-254: Despatch

The Chargé in Portugal (Brown) to the Department of State

SECRET LISBON, November 2, 1954.

No. 269

Subject: Aspects of Portuguese-American Relations

In view of the impending appointment of a new Chief of Mission to Lisbon [1] and the current depression in our influence here, it is thought that a short frank statement of account on certain important features of our relations with the Portuguese as seen from this

[1] Ambassador Guggenheim left his post on Sept. 19; James C. H. Bonbright, who was appointed to replace him on Jan. 24, 1955, presented his credentials on Feb. 18.

end might be of some value to the Department in formulating future policies. The present low ebb may be traced mainly to Portuguese disappointment in our attitude in the Goan dispute and in a lesser degree to the virtual vacuum in our high level contacts during the past year. There are, however, ample reserves of friendship here for the United States and, in the Embassy's opinion, the situation described in transitory. A brief examination of our most urgent requirements from Portugal, i.e., (1) Azores, (2) Cape Verde group—Sal Island, (3) Uranium, (4) Safehaven—evacuation; and a few suggestions, are submitted herewith.

1. *Azores.* The Portuguese control the Azores which are of vital importance to the peripheral defense of the United States and as a staging and transit point in any defensive or offensive action undertaken by our armed services. Plans are under study for expanding our activities on Terceira Island (Lagens airbase) which would entail among other things a considerable increase in the personnel ceilings allowed by the Portuguese under the existing Azores agreement. Ever since our first arrangement (1946) covering the Lagens installation, the Portuguese have been most difficult on two points: (a) insistence on a relatively short term agreement, and (b) personnel ceilings. They have been adamant in keeping our authorized limits low.

On the subject of enlarging our installation in the Azores, Marshal Montgomery, who is a frequent visitor to Portugal and for whose judgment the Minister of Defense has the highest regard, may have provided a useful lead in breaking down latent Portuguese resistance to drastic peacetime increases in our personnel at Lagens Airfield. Speaking in London on October 21, on the strategy of atomic war and the dominant factor of air power, the Marshal, pointing out that the West could not win a future war if it lost control of the Atlantic, called attention to the necessity of having "in being" a highly effective *global Early Warning System* in order to counteract a surprise nuclear attack from the air.

In setting our attitudes toward Portugal (viz. Goa), it is well to keep constantly in mind not only the facilities we already enjoy in the Azores, but also the steady pressure for their expansion in one form or another, to say nothing of the renewal of the Azores agreement itself in 1956. We know from experience that each renewal has involved wanting substantially more from the Portuguese than we had under the terminating agreement. While, from a strictly economic view, it might be argued that Portugal can afford to increase her NATO military expenditures and similarly a case might be made on purely military grounds for restricting the military assistance program, the Embassy is pointing out to our MDAP review officers that because of our Azores and Sal projects, as well as for

other political considerations, we do not deem it to be in our interest that such action be taken. On the contrary, and taking into account the comparatively small amount of war equipment which we have given to this country, it is our opinion that we should not press the Portuguese too hard in the matter of budgeting additional funds for the maintenance of the three aircraft squadrons the Minister of Defense so keenly desires and which we are more or less committed under MDAP to provide (Embassy Despatch No. 233, October 14, 1954 [2]), nor should we follow a harsh line with respect to Portugal's other military "requirements". Incidentally, it is the Minister of Defense who practically decides all questions arising in our Azores operation, including personnel increases, etc.

2. *Sal Island.* The Embassy's views concerning the negotiation of an agreement covering the use and development of a United States Air Force installation at Sal Island in the Cape Verde Archipelago, which the Department solicited in its Instruction No. A-40 of October 8, 1954, was submitted in our Despatch No. 239 of October 18. [3] The requirement in question, although not to be compared in magnitude with the Azores is, nevertheless, important, since the Cape Verde Islands are of interest to our Air Force as a "link in an alternate Atlantic Air Movement route needed because of the anticipated wartime saturation of present Atlantic routes". Although the Sal Island airport is under civilian control and, therefore, comes within the jurisdiction of the Ministry of Communications, the Minister of Defense would have the deciding voice in such negotiations as envisaged by the Department.

3. *Uranium.* The Embassy is pleased that Mr. Jose Frederico Ulrich, President of the Nuclear Energy Board (Junta de Energia Nuclear), has been invited by Chairman Strauss of the Atomic Energy Commission to visit the United States. Portugal is a potentially important European producer of uranium and our interest in this matter is well known to the Department. Mr. Ulrich, a former Minister of Public Works, is a close collaborator of Prime Minister Salazar and a man who will probably occupy a position of influence during the life of the present regime. It is believed, therefore, that it would be useful if, during Mr. Ulrich's visit to Washington, he could have an opportunity to meet the Under Secretary, as they are both engineers and have had somewhat parallel careers.

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[2] See footnote 2, Document 814.

[3] In instruction A-40, Dulles noted that Sal Island had been added by the Department of Defense to the list of additional military requirements desired by the United States in connection with the Azores. (711.56353G/10-854) In despatch 239 from Lisbon, the Embassy advocated proceeding cautiously and gradually on negotiations for rights on Sal Island, keeping the question separate from that of the Azores. (711.56353G/10-1854)

4. *Safehaven—Evacuation.* United States Safehaven planning covering the evacuation of Americans, etc., from northern Europe through Spain and Portugal in the event of the outbreak of war, is now more or less stymied by Portuguese insistence that we transport their nationals as well. (See Embassy's unnumbered telegram to Paris PLG, October 7, 1954. [4]) It is our belief, however, that the Minister of Defense, whose influence is far reaching, may eventually be of assistance to us in breaking down this present inflexible attitude which apparently stems exclusively from the Foreign Office. Although the latter has denied that our position on Goa has been a factor in their attitude, one cannot escape the conclusion that such is at least partly true.

Comment and Suggestions. A proud, sensitive people who after a long period of decline are now experiencing a national renaissance as a result of the policies and accomplishments of the Salazar regime, the Portuguese, while not lacking in realism, are most susceptible to friendly human gestures, particularly when not accompanied by obvious *quid pro quo* strings. "O factor humano" is a phrase constantly used in their conversation and reflects the ever present Lusitanian yearning for friendship, understanding and consideration. The personal element, therefore, in creating an atmosphere conducive to the realization of our objectives in this country, cannot be discounted.

While, in a general way, they admire American generosity and altruism and are aware that they have benefited from the Marshall Plan and MDAP, albeit that aid has been on a modest scale—their Marshall benefits, for example, were much less than those we extended to Ireland, a country from whom we receive no defense advantages—the impersonal and multi-national aspect of such operations have, perhaps, mitigated against our accruing the full psychological benefits which those programs deserved.

Since it is slightly off the beaten track, our high civilian authorities have not found it convenient or possible to visit Lisbon in the past three years. Neither the Secretary of State, Under Secretary, nor Mr. Stassen have visited Portugal, although many of the other NATO countries have been on their itineraries at one time or another and so noted in the Portuguese press. Moreover, this absence of high level contact has not been helped by frequent turnover in our ambassadors here, a fact which was recently publicly commented on by the Minister for Foreign Affairs. "During my four years

[4] This telegram contained an account of a conversation between Brown and a Portuguese Foreign Office official, during the course of which the Portuguese demand for evacuation of the general populace was made clear to the Americans. (200.1122/10-754)

in the Foreign Office", he declared, "I have already known three American ambassadors and I am about to know a fourth". Due largely to the nature of the regime, leading Portuguese officials, both military and civilian, appear almost eternal (Dr. Salazar has been in the government for over twenty-five years, about twenty-three of which as Prime Minister) and, consequently, to them their American counterparts, with our constant shuffling, seem to have but an ephemeral existence. The need, therefore, of a reasonable ambassadorial continuity here would appear to be manifest. As of immediate interest, such moves on our part as separately inviting the President of the Republic and the Minister of Defense to visit the United States in the near future would be in the good cause and will surely pay off in dividends of good will from the basic stocks which fortunately exist here. Given the urgency of our Azores and Sal island requirements mentioned above, we recommend that an invitation should be extended to Colonel Santos Costa, the Minister of Defense, as soon as practicable.

AARON S. BROWN

No. 817

711.56353B/11-254

The Deputy Assistant Secretary of Defense for International Security Affairs (Davis) to the Secretary of State

TOP SECRET WASHINGTON, November 2, 1954.

DEAR MR. SECRETARY: The Department of Defense has developed certain additional military requirements in the Azores and in the Cape Verde Islands for facilities and operating rights. These additional military requirements are not covered by the existing Defense Agreement with the Government of Portugal signed on 6 September 1951. [1] There is an urgent need to negotiate an agreement with the Portuguese which will provide the additional military facilities and operating rights to satisfy these requirements.

Inclosed for your information and use in future negotiations are: a) a statement of the additional United States military requirements in the Azores, and b) a statement of the United States military requirements in the Cape Verde Islands. [2]

The additional military requirements in the Azores are: a) to increase the present personnel ceiling from 1200 to approximately 5800 United States personnel, b) to station three squadrons of air-

[1] The text of the Defense Agreement is in 5 UST (pt. 3) 2263.

[2] The enclosures were not found attached to the source text.

borne early warning aircraft, c) to station a fighter interceptor squadron at Lajes Air Base, d) to secure certain additional land areas, e) to insure that the Portuguese aircraft control and warning system being programmed for the Azores under the Mutual Defense Assistance Program is operational on a 24-hour basis and has English-speaking controllers (United States assistance, to the extent required, can be made available) and f) to equip the present air rescue unit located at Lajes Air Base with C–54 aircraft.

While it is recognized that the local defense of the Azores is a Portuguese responsibility, the United States is willing to deploy the fighter interceptor squadron either on a permanent or on a temporary basis until such time as Portugal can develop an air defense capability at that location. The United States Air Force fighter interceptor squadron can be deployed whenever adequate ground aircraft control and warning facilities are operational.

The requirements at Sal, Cape Verde Islands, are to station a minimum support unit and to develop the local airfield for use in connection with an alternate Atlantic Air Movement Route.

The Defense Agreement of September 1951 with the Government of Portugal should provide a satisfactory vehicle for the fulfillment of these new military requirements. It is suggested that this agreement be broadened to provide the additional military rights required. Although the precise wording of that agreement is not completely satisfactory, the actual working relationships existing between the United States and Portugal under the provisions of that agreement have been generally very satisfactory. Because of this, and in view of the fact that the existing agreement was concluded only after long and tedious negotiations, it is believed that the broadening of that agreement would be more desirable than attempting to renegotiate the entire agreement. However, inasmuch as important rights under the present agreement will expire in 1956, and in view of the sizable United States investment, it is requested that an attempt be made at this time to extend the Defense Agreement for the duration of NATO.

The present Defense Agreement (Technical Agreement) also contains a provision that the United States commander shall not be of higher rank that the local Portuguese commander in the Azores. At the present time both the Portuguese commander and the United States commander are colonels. The establishment of a United States unified command in the Azores has placed increased importance on the position of the United States commander to the extent that the Department of Defense considers he should be an officer of general or flag rank. It is not considered necessary to reword the present technical agreement; however, within its terms

it will be necessary to obtain Portuguese concurrence in raising the rank of the United States commander.

It is anticipated that the Portuguese may request that additional fighter aircraft and related support be furnished through the United States Mutual Defense Assistance Program as a *quid pro quo* for additional United States military rights. At the present time the Portuguese have not demonstrated a capability to utilize any aircraft effectively beyond that already contained in current Mutual Defense Assistance programs. Until and unless an improved capability is demonstrated, no additional aircraft should be promised under the Mutual Defense Assistance Program, not even as a *quid pro quo* for additional base rights.

It is requested that negotiations be opened with Portugal with a view toward reaching an agreement which will: a) provide the additional military rights desired both in the Azores and in the Cape Verde Islands; b) extend the duration of the present Defense Agreement; and c) permit the United States to increase the rank of the US commander in the Azores. The Commander-in-Chief, Atlantic, will be prepared to furnish military advisors to assist the United States Ambassador to Portugal during the course of negotiations.

It is requested that the Department of Defense be kept informed of the progress of the negotiations, and that any arrangements considered satisfactory by the United States representative be forwarded to this Department for review prior to signature.

Sincerely yours,

A. C. DAVIS

No. 818

711.56353B/11-254

The Assistant Secretary of State for European Affairs (Merchant) to the Deputy Assistant Secretary of Defense for International Security Affairs (Davis) [1]

TOP SECRET [WASHINGTON,] December 8, 1954.

DEAR ADMIRAL DAVIS: The Department of State has received your letter of November 2, 1954. From your letter, the Department of State understands:

1. That the Department of Defense has developed certain additional military requirements in the Azores and in the Cape Verde Islands (set forth in the enclosures to your letter) which are not

[1] Drafted by Thompson and cleared with Rogers.

covered by the existing Defense Agreement with the Government of Portugal of September 6, 1951;

2. That the Department of Defense requests that negotiations be opened with the Portuguese Government for the purpose of reaching an agreement which will satisfy these additional requirements, which will extend the duration of United States peacetime rights under the Defense Agreement for the duration of NATO; and which will permit the United States to increase the rank of the United States commander in the Azores; and

3. That the Department of Defense considers the Defense Agreement of September 6, 1951 a satisfactory vehicle for the attainment of these objectives.

It is anticipated that these negotiations will be very delicate because 1) the new military requirements of the Department of Defense are substantial; 2) many Portuguese officials feel that the United States has not given sufficient support to Portugal vis-à-vis India in its recent dispute with that country concerning Portuguese territorial possessions in the sub-continent of India; and 3) almost certainly, the Portuguese Government will relate the granting by the United States of additional jet squadrons to Portugal to these negotiations. For these reasons, the Department of State believes that the climate for the pending negotiations should be carefully prepared in advance. Of assistance in this respect would be an invitation to the Portuguese Minister of Defense, Lieutenant Colonel Fernando dos Santos Costa, to pay an official visit to the United States as the guest of the Secretary of Defense. Senor Santos Costa will be the key figure on the Portuguese side of the Azores negotiations and any favorable impressions of the United States which he might acquire as a result of a visit to the United States at this time would undoubtedly redound to the benefit of the United States once the Azores negotiations are undertaken.

It is suggested, therefore, that the Secretary of Defense extend an invitation as soon as possible to the Portuguese Minister of Defense, Senor Santos Costa, to visit the United States. Subsequent to the return of Senor Santos Costa to Portugal and the entry upon his duties of a new American Ambassador to Portugal, the Department of State will open negotiations with the Portuguese Government to broaden the Defense Agreement with the Government of Portugal of September 6, 1951, to satisfy the additional military requirements of the Department of Defense and to permit the United States to increase the rank of the United States commander in the Azores. The Department of State would like to keep under review the request of the Department of Defense that an attempt be made during the negotiations to extend United States peacetime rights under the Defense Agreement for the duration of NATO.

Once negotiations are undertaken, the Department of State, as you request, will inform the Department of Defense of the progress of the negotiations and will submit to the Department of Defense for review, prior to signature, any arrangements considered satisfactory by the United States representative.

Sincerely yours,

LIVINGSTON T. MERCHANT

SCANDINAVIA

UNITED STATES POLICY TOWARD SCANDINAVIA[1]

No. 819

S/S-NSC files, lot 63 D 351, NSC 121 Series

Memorandum by the Planning Board of the National Security Council to the National Security Council [2]

TOP SECRET
NSC 121

WASHINGTON, January 8, 1952.

STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON THE POSITION OF THE UNITED STATES WITH RESPECT TO SCANDINAVIA AND FINLAND

1. Scandinavia is of strategic importance to the defense of Europe and to the security of the United States. It is therefore, in the interest of the United States that the component parts, Norway, Denmark and Sweden, be in the best possible position to resist Soviet pressure or aggression. The actual expression of United States interest in this regard, however, must necessarily differ in its application between Norway and Denmark on the one hand and Sweden on the other, since Norway and Denmark have formally declared

[1] For previous documentation on Scandinavia, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 755, and 872 ff. For documentation concerning the participation of Norway and Denmark in the North Atlantic Treaty Organization during the years 1952-1954, see vol. V, Part 1, pp. 1 ff.

[2] This memorandum, designated on the source text as a draft, was based on an earlier paper drafted in the Department of State. In addition to the Statement of Policy presented here, NSC 121 consisted of a cover sheet, a note by Lay to the National Security Council, an 18-page NSC Staff Study, and an Annex in which Section 408 (e) (1) of the Mutual Defense Assistance Act of 1949 was reproduced. President Truman approved NSC 121 on Jan. 17. Lay's covering note indicated that the NSC Staff intended the proposed Statement of Policy, if adopted, to supersede NSC 28/1, "the Position of the U.S. With Respect to Scandinavia," Sept. 3, 1948, and NSC 32/1, "The Situation of the U.S. With Respect to Negotiations with Denmark and Norway," Nov. 17, 1948. Lay explained further in his note that the views of the Joint Chiefs of Staff as expressed in NSC 88, "U.S. Courses of Action in the Event the Soviets Attempt To Close the Baltic," Oct. 17, 1950, were taken into account in the preparation of the proposed Statement of Policy. The conclusions to NSC 28/1 are printed in *Foreign Relations*, 1948, vol. III, pp. 232-234. NSC 88 is printed *ibid.*, 1950, vol. IV, p. 58. NSC 32/1 is in S/S-NSC files, lot 63 D 351, NSC 32 Series.

their adherence to the concept of collective defense by joining in the NATO.

2. With respect to Norway and Denmark, the United States should:

a. Continue to extend military and economic aid to these countries as appropriate.

b. Continue through the NATO and bilaterally to develop closer military cooperation with these countries and stimulate their efforts to contribute to their own and to collective defense.

3. Sweden, on the other hand, while demonstating the firm intention to defend her own national independence and integrity, is attached to the concept of "neutrality." As a consequence, although the Swedes are traditionally anti-Russian and ideologically anti-communist, Sweden has not joined in the common defense effort represented by NATO. Although on balance, and primarily because of the advantage to the organization of Scandinavian defense, it would be to our interest to have Sweden in NATO, we must for the predictable future accept as a political fact Sweden's policy of avoiding great power military alliances . . . .

. . . . . .

6. With regard to Finland, it is in our interest that she maintain her independence. Although the Finns value highly their independence and are intensely anti-Soviet, this country's freedom of action in its foreign relations is drastically curtailed by its proximity to Soviet power and by various treaty obligations which Finland has been forced to undertake. The key to U.S. policy is to avoid any steps which would threaten the delicate balance of Finnish-Soviet relations . . . .

7. United States security interests in the Spitzbergen Archipelago lie in supporting Norway in maintaining her sovereignty over these islands, and in preventing their military use by a hostile power.

No. 820

Editorial Note

While attending Ninth Session of the North Atlantic Council in Lisbon, February 20–25, Secretary Acheson, Norwegian Foreign Minister Lange, and Danish Foreign Minister Kraft held a conversation in which a consensus was reached that the permanent stationing of foreign troops on Norwegian and Danish soil in fulfillment of SHAPE plans would be politically impossible at that time.

For the text of a memorandum recording this conversation, dated February 21, see volume V, Part 1, page 126.

No. 821

758.13/4-1452

Memorandum of Conversation, by the Secretary of State [1]

SECRET WASHINGTON, April 14, 1952.

Subject: Swedish Prime Minister's call [2]

Participants: His Excellency Tage Erlander, Prime Minister of Sweden
The Honorable Erik Boheman, Ambassador of Sweden to the U.S.
The Secretary
Mr. George Perkins, EUR
Mr. A. G. Ronhovde, BNA

The Prime Minister, accompanied by Ambassador Boheman, paid a courtesy call at 11:00 a.m. He expressed his gratitude for the assistance the Department had given him on his visit and said the trip had been very valuable, more so than he had thought a short trip could be.

After the exchange of courtesies the Ambassador asked me whether I thought the prospects for a truce in Korea now looked any brighter. In reply I outlined the three major problems remaining to be settled and explained why we thought each was important. I told him that we also understood some of the difficulties of the Communist negotiators in view of the ideological and other limitations under which they were operating.

I then asked the Prime Minister how he viewed the present European situation. He responded that in his view the most important recent development was the progress being made on the Schuman Plan. He explained this view on the basis that he thought it a

[1] Drafted by Ronhovde.

[2] Prime Minister Erlander was in the United States on an informal visit Apr. 3–16. Before arriving in Washington on Apr. 12, he visited New York; Chicago; Rockford, Illinois; Minneapolis; Ashland, Wisconsin; and Detroit. Immediately after meeting with Acheson on Apr. 14, he attended a luncheon hosted by President Truman. No record of any discussions which may have taken place on this occasion has been found in Department of State files. Erlander met with Deputy Under Secretary of State Matthews, formerly U.S. Ambassador in Sweden, on Apr. 15. A memorandum of that conversation, covering substantially the same subjects as those discussed with Acheson, is in file 758.13/4-1552.

prime essential for the peace of Europe that Franco-German relations be firmly established so that the French could gain confidence that never again would they be attacked by Germany. He saw the Schuman Plan as a step which would make possible solid political and military cooperation between the two countries. He then remarked that in his view one of the dangers of the present situation is the tendency toward extreme nationalism among the Social Democrats in Germany—and also in the U.K. He thought the German Social Democratic leaders were keenly aware of the charges made against them in Germany after the last war that they had stabbed the Government in the back. The Prime Minister feared that this time they might assume an exaggerated nationalist position.

I expressed agreement with the Prime Minister's emphasis on the importance of establishing firm Franco-German relations and explained to him our policy which is exactly along this line. I said I interpreted the recent Soviet notes regarding Germany as an attempt to use the present as the most propitious time to forestall these developments including a settlement with Germany. He had in the earlier part of our conversation mentioned that the Austrians were showing great fortitude in their difficult situation. I agreed.

After thanking me again the Prime Minister took his leave at 11:30.

No. 822

Editorial Note

Oscar Torp, the Prime Minister of Norway, was in the United States on an informal visit September 10–30. Beginning in New York, he proceeded to Detroit, Duluth, Minneapolis, Northfield (Minnesota), Decorah (Iowa), Madison (Wisconsin), and Chicago before returning to New York on September 19. He arrived in Washington on September 22 and remained until September 28 when he returned to New York. Torp met with Secretary Acheson at noon on September 24 and attended a luncheon given by the President immediately thereafter. A memorandum recording the conversation between Torp and Acheson, dated September 24, indicated that "no problems of substance were discussed." (EUR files, 59 D 233, "Norway") No record of conversation between Torp and the President has been found in Department of State files.

No. 823

EUR files, lot 59 D 233, "Norway"

Memorandum of Conversation, by the Deputy Assistant Secretary of State for European Affairs (Bonbright)

SECRET WASHINGTON, March 3, 1953.

Participants: The Secretary of State
The Norwegian Foreign Minister, Mr. Lange
The Norwegian Ambassador, Mr. Morgenstierne
Mr. Bonbright, EUR

Prior to his call on the President the Norwegian Foreign Minister, Mr. Lange, called on the Secretary today at 2:20. He was accompanied by the Norwegian Ambassador.

Mr. Lange began by expressing appreciation for the dinner which the Secretary had for him last evening and for the opportunity for frank discussion which the occasion offered.

He then said that there were only two questions which he wished to take up, the first of which he would not bother the President with:

(1) The McCarran Act.[1] Mr. Lange hoped that something could be done to mitigate the effects of this act which created a considerable public opinion problem in his country owing to the large number of Norwegian seamen whose entry into the United States was governed by its provisions. The Secretary suggested that if he felt strongly about it, he should mention this to the President as well.

(2) Northern NATO Defenses. Mr. Lange indicated that he and Mr Kraft were disturbed by the implications of a plan for the defenses of Scandinavia which have recently been submitted by SHAPE. In brief, this plan envisaged that in the event of a Soviet attack, Denmark could not be held for more than a few days. Similarly, it envisaged that only relatively small parts of Norway could be held and that these would be in the nature of bridge-heads which might be expanded at a later date. The Foreign Minister indicated that while this might be defensible on military grounds, it presented an extremely serious political problem. He and his Danish colleague wondered whether the plan reflected a fundamental change in the view on the part of the Standing Group or whether it was of a more transitory character. In this connection he recalled that President Eisenhower had always spoken of the North-

[1] Reference is to the Immigration and Nationality Act, P.L. 82-414 (66 Stat. 163), June 27, 1952, which entered into effect on Dec. 24.

ern defenses as being of the greatest importance and the new plan with its emphasis on the central sector and its weakness on the northern flank was diametrically opposed.

Mr. Lange went on to say that the easy retort to this would be that the Norwegian and Danish base policies were inconsistent with a firm defense of the area. On the other hand, he felt that more weight should be given to the political factors involved as opposed to the strictly military factors. In this connection while he did not minimize the role of political opinion in Norway, he indicated that a basic reason for the Norwegian policy was due to concern about Russian reaction in other areas. He said that both the Finns and the Swedes were fearful lest a change in the Norwegian policy would lead to an immediate increase of pressure on the Finns for the extension of Russian bases nearer the borders of Sweden and northern Norway.

The Secretary said that this was a matter with which the President was much more familiar than he so that he would not comment on it in detail. He expressed appreciation of the reasons underlying Norwegian concern and said that at the time NATO was founded he himself thought that the Norwegians might prefer to wait for two or three years before joining in order to permit the strength to develop in the center and gradually expand northward. He expressed admiration for the courageousness of the Norwegian decision. However, he did believe that it was unlikely that the Russians would be provoked into taking further steps since when they made up their minds to do something they usually went ahead and did it without worrying too much about the excuse. Finally, the Secretary said that he was not in a position to advise Mr. Lange regarding the political problem posed by a change of base policy since that was a matter which the Norwegians themselves would know best how to handle.

No. 824

611.59/7-2853: Despatch

The Chargé in Denmark (Bell) to the Department of State

CONFIDENTIAL COPENHAGEN, July 28, 1953.

No. 120

Ref: Depcirtel 53, July 23, 1953, 7 p. m. [1]

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[1] In circular telegram 53, the Secretary of State asked the Ambassadors in 11 NATO countries and Austria and Germany for their frank confidential estimate and views on how the United States was regarded by the public and the governments in the countries to which they were accredited. (611.00/7-2353)

Subject: Status of U.S. Prestige in Demark

This despatch is submitted in response to the request set forth in the Department's circular telegram no. 53 of July 23, 1953, for a frank confidential estimate and views as to how the United States is regarded by both the Danish Government and people.

It is assumed that the Department is most interested in those attitudes which adversely affect the prestige of the United States and the attainment of U.S. policy objectives, and this report accordingly concentrates thereupon. Some distortion may thus be produced since there are numerous countering attitudes favorable to the United States. Nevertheless, it is the writer's opinion that with respect to all points cited, these attitudes are held by a substantial, if not a major, part of both Government officals and private citizens.

On the whole, the United States is highly respected and favorably regarded in Denmark. The Danish Government and people are basically friendly and well disposed towards America. They appreciated and are grateful for the role of the United States in providing economic help to Europe and in taking the leadership in the establishment of NATO. Nevertheless, it is undoubtedly true that the prestige of the United States in Denmark and confidence in U.S. leadership have sharply diminished during the period which began with the U.S. election campaign.

General Attitudes Toward the United States

It is normal that underlying Danish reactions to the United States and its policies there should be a basic resentment of the world situation in which Denmark is to such a great degree dependent for its future security and prosperity on the actions of the great powers, including the United States. The disparity in size and power, and the extent of dependence on the United States creates a higher degree of sensitivity of U.S. actions and a tendency to be hypercritical of them.

Danish knowledge and understanding of the United States is not complete. The size and vigor of the United States, the heterogeneity of its people, the complexity and productivity of its industry, the tumultuous nature of its politics, the political system itself are all alien to Danish experience. On the whole, they represent to Denmark a young and somewhat violent country with immense capability for good or evil and a country whose future actions are not entirely foreseeable or dependable. There is a real uncertainty in the average Danish mind as to the present and the future locus and direction of political power in the United States and as to the capability of the United States to pursue long-term consistent and predictable policies.

Specific Attitudes

A. *Domestic Affairs*

1. *Towards the Republican party*

While some of the Government leaders are more sophisticated, a large percentage of them and a majority of the general public, lacking a real understanding of the American two-party system and accustomed to political parties which represent class or group interests (such as labor, farmers, etc.) tend to think of the Republican party as a party representing "big business" and isolationism. This produces an attitude of doubt and reservation towards the new administration, alleviated in some degree by the high regard in which President Eisenhower personally is held.

2. *Towards McCarthy and "McCarthyism"*

There is no doubt that the feeling of the vast majority of Danish Government officials and the Danish people toward Senator McCarthy is one of revulsion. Probably no single American has ever been more openly and uniformly disliked. The contempt and aversion for Senator McCarthy has developed into a deep concern and fear as the course of events in the United States has been interpreted by the Danes as indicating a rapidly increasing acquisition of political power by Senator McCarthy. The Danes have found it difficult to explain what they regard as a timid and essentially appeasing policy towards Senator McCarthy on the part of the administration, except in terms of either (a) McCarthyism representing a major force and philsophy in America or (b) an administration incapable or unwilling to deal with him effectively. The Danish press and the Danish people have regularly and frequently expressed their concern as to whether the controlling force in U.S. politics today was not Senator McCarthy. "McCarthyism" is a word which in Denmark connotes a sort of neo-facism which they have seen at first-hand in Germany and which they both fear and despise. The Danish Foreign Mininister told Mr. Paul G. Hoffman in my house on July 2, 1953 that Senator McCarthy had been the greatest asset the Communists had had in Europe for the past six months.

The Danes not only are troubled by Senator McCarthy and "McCarthyism" per se, but also because they consider it symptomatic of the uncertainty and unpredictability of the United States.

Related to this subject is the controversy over U.S. libraries abroad. No single event has done more to make America appear ridiculous and childish in Danish eyes, nor to weaken confidence in both the judgment and competence of the administration.

3. *Towards U.S. economic policies*

Attitudes in this respect are conditioned in part by the Danish tendency to regard the Republican party as representing large business. Basically the concern is here that the new administration, in a desire to lessen governmental controls of business and industry, will lack the desire or capability to move quickly and effectively in the event of a recession in the United States. This fear of an uncontrolled recession which could have collateral effects disastrous to Danish economy, is increased by the reduction in defense expenditures proposed by the new administration.

B. *Foreign Affairs*

1. *Towards the U.S.S.R.*

Since the Danes begin with the conviction that a war between East and West is synonymous with the destruction of Denmark, they are painfully sensitive to any action which they regard as likely to increase the risks of such a conflict. Against this basic approach, the Danes tend to feel that U.S. policy towards the Soviet Union tends to be over-rigid and to leave too little room for a solution of the conflict by peaceful means. For example, the Danes, however naively, fully and almost unanimously support Mr. Churchill's plea for a 4-power meeting.[2] Essentially, the Danes want every avenue, however unpromising, explored and reexplored. War is simply an unacceptable alternative to them and they are not sure it is to the United States. They would like to see more evidence of a greater desire for peaceful solution on our part and somewhat less insistence on fixed and hard preconditions.

2.*Towards the satellites*

Danes generally were highly unsympathetic and alarmed by indications of an increase in U.S. activity in support of the freeing of the peoples of the satellite nations from Soviet control. They were deeply concerned that such a course would increase the risks of a conflict with the U.S.S.R.; they regarded any action in this direction as dangerous, provocative and, short of war, ineffective.

3. *Towards the Far East*

The Danes share the common European concern lest the United States become so deeply involved in Far Eastern affairs as to be incapable of or unwilling to continue a priority attention to and participation in European affairs.

The Danes in particular have also been troubled by what many of them regard as U.S. support of "colonial regimes". The common opinion in Denmark, which has been little affected by the modest efforts of the press to discuss the Indo-China situation objectively, is that we are helping the French to deny the Indo-Chinese self government. The Foreign Minister was severely censured for his participation in the NATO Council resolution on Indo-China since this was said to be involving Denmark in a "colonial war".

4. *Towards U.S. trade and tariff policy*

The Danish Government and people are worried by the uncertainties of U.S. policy in this field. Although somewhat reassured by the Administration's support of a renewal of the Reciprocal Trade Agreement legislation, they have noted with foreboding that our foreign economic policy is to be reexamined. The Danes feel that unless U.S. trade barriers are lowered or removed, the future economic prospects for Europe are gloomy indeed. They are particularly concerned by the question of consistency and permanence of U.S. trade policy. Investment in the development of export industries is severely restrained by the fear that their experience with respect to Danish blue cheese will be repeated.

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[2]The reference here is to a proposal made by Churchill on May 11, 1953, in a speech to the House of Commons. See Document 409.

5. *Toward U.S. policy re East/West trade*

There is agreement in principle with the concept that there should not be trade with the satellite bloc whereby strategic materials go from West to East. However, Danish officials and private citizens fear that the vigor and extent of controls sought by the United States represent an intention ultimately to terminate all trade with the East. This result they wish to avoid (1) because they fear it will decrease the chances for East-West peaceful coexistence and (2) because they believe East-West trade an essential element of any long-term economic stability in Europe. The complaint is often heard that the United States seeks to prevent trade with the East by embargo and with the United States by tariffs.

6. *Toward NATO and defense*

The Danes are skeptical about both the intention and the capability of NATO to defend Denmark. Their skepticism has been increased by SHAPE's refusal or professed inability to augment the ground defense forces on the northern flank despite a substantial increase in overall NATO ground forces. While most Danes regard the U.S. commitment in the North Atlantic Treaty as sincere, they are more interested in avoiding either war or liberation. The U.S. position opposing NAC review of SHAPE's refusal is not reassuring to the Danish Government.

Factors To Bear in Mind in Determining U.S. Lines of Action

It is believed that the United States should take into account in formulating its future policy the following principal points:

1. The intense desire of European countries to find a peaceful solution for East-West conflicts.

2. The desire of our Allies to have an opportunity to express their views and to be consulted before policies are formed rather than to be notified of them.

3. The desirability of our Allies earning their own way rather than being beneficiaries of U.S. charity, and their own intense desire to be in this position.

4. The extent to which Europeans have reached the saturation point for propaganda and the inevitable fact that we are much more apt to be judged by what we do rather than by our own laudatory self-appraisal.

5. The value of a demonstrated, responsible and capable U.S. executive branch in charge of U.S. foreign policy.

6. The importance to effective representation of U.S. views by Foreign Service personnel of having demonstrated by the executive branch as a minimum, and by the Congress and the people as well, if at all possible, of confidence in, rather than distrust of, the State Department and the Foreign Service.

7. As a generalization, the taking of any and all action which tends to reassure other countries as to the continuity and stability of our policies.

It is neither believed nor suggested that U.S. policies can be formulated and executed solely in terms of consideration of the attitudes of other countries any more than those attitudes can be controlled entirely by U.S. actions. However, it is believed that the

greatest possible regard for the opinion of our Allies along the lines suggested above would be productive both of an increase in confidence and of greater willingness to follow U.S. leadership. Such leadership is, on the whole, desired but it must be leadership and not dictation and if we are to provide it effectively, we must show ourselves mature and capable. The single action which would have the greatest salutary effect on the present low state of U.S. prestige would be a concrete and effective demonstration by the Administration that its policies were not determined by and could not be controlled by Senator McCarthy or "McCarthyism".

JOHN O. BELL

No. 825

611.57/7–3153: Despatch

The Ambassador in Norway (Bay) to the Department of State

SECRET

OSLO, July 31, 1953.

No. 85

Reference: Oslo despatch No. 1121, June 26, 1953; [1] and Department's circular telegram No. 53, July 23, 1953 [2]

Subject: Norwegian Attitudes Towards the United States

The Department's telegram under reference was received just one week ago, which is to say seven days before the effective date of my resignation as Ambassador. [3] However, I feel it important that I should submit a reply before leaving office rather than turn such a problem over to my successor, for he will not have had opportunity to be familiar with Norwegian official and public attitudes over the past months. In my despatch no. 1121 of June 26, I covered much of the ground involved, based primarily upon an evening of full and frank discussion with the Foreign Minister himself and several other key figures in the Labor Government and Labor Party, but which also included broader background coverage from other sources. In fact, my previous despatch is practically a complete reply to the Department's telegram, but as my last official act I think it well to take up the Department's questions specifically in an effort to give direct answers.

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[1] Despatch 1121, similar in many ways to this despatch, focused primarily on Norway's attitude toward Chinese representation in the United Nations. (795.00/6–2653)

[2] See footnote 1, *supra*.

[3] Bay's appointment was terminated on July 31; L. Corrin Strong, who was appointed to replace him on June 24, presented his credentials on Aug. 10.

The Department's first question is whether there is mistrust among Norwegians of United States motives underlying our policy towards the USSR. In my view the Norwegians do not distrust our motives, but they are more inclined than they have previously been to question the soundness and stability of our judgment. There is a general feeling that too many Americans have an unduly emotional and alarmist attitude towards Communism which makes it difficult for us to form objective judgments as a basis for wise and moderate policies. We must remember that the Norwegians are accustomed to Communists in their midst, and some of the soundest present Labor Party leaders were not far from being Communists themselves in pre-war days. They feel that they have the internal Communist situation under sufficient control even when, as at present, about 6% of the national vote goes Communist, which is to say about 100,000 votes. It seems to be their impression that Communists are relatively far less numerous in the United States, and hence their concept that we have allowed ourselves to become unduly alarmed, especially concerning the internal dangers of Communism. Some ranking officials also have doubts concerning our estimate of the Communist danger in Europe and lean to the reported British view that Russia is hardly likely to initiate a military sweep across Western Europe in the immediate years ahead. While they appreciate fully, of course, that such could happen and that it is likely the Russians have the strength with which to mount such an aggression, yet in gauging the probabilities they feel we may be too much influenced by strictly military considerations set in a background of alarmism and without due respect to seasoned political considerations.

The Department's second question whether there has been a lessening of confidence in U.S. intentions adequately to support its allies, both individually and collectively, in measures designed to strengthen free world security, raises the question of isolationism. Norwegian officials are watching carefully to see whether isolationist pressures within Congress and also upon Congress are gaining headway. Completely confident of President Eisenhower's basic position and guiding principles, there exists an undeniable feeling of uncertainty of his ability to gain the necessary support from Congress. Strictly in terms of United States military and economic aid for Norway, there has been no indication whatsoever of criticism on the part of the Government or the public. They know we do not expect to provide further direct economic aid, but realize we have aided them most generously over the past five years, and that such contributions had to end sooner or later. As for military equipment and supplies, those at all familiar with the situation understand that we have already programmed enough equipment to make pos-

sible the planned build-up of their forces. Just how they will maintain the ultimate level of strength and equipment is a problem to which they are, perhaps naively or just politicially, rather shutting their eyes.

The Government has not yet obtained foreign financing to cover its anticipated 1953 foreign exchange deficit, which will probably be a large one. (Minister of Commerce Brofoss recently estimated that after capital transfers the balance of payments deficit this year will total about 500 million kroner.) Norway may be faced with a very serious problem if foreign loans and credits are not forthcoming and the terms of trade and shipping do not improve. As already stated, however, I do not find that even the most apprehensive Norwegian blames this situation upon us, or expects us to write blank checks indefinitely for future deficits. On the other hand, the Government, together with both labor unions and trade circles, is far from confident of U.S. intentions to direct its own domestic and foreign economic policies so as to contribute to economic and political stability in Western Europe and, by the same token, to free world security. Government officials express to us their fear that the present U.S. restrictive monetary and fiscal policies may lead to a recession and that the "Republican" Administration may not be prepared to take effective remedial measures. They feel that such a development would have drastic consequences for Western Europe. Not only have Norwegians been not too sanguine about possiblities for U.S. tariff liberalization, but indicate grave concern lest protectionist pressures in Congress may force the adoption of a more restrictive trade policy.

The Department's third question concerns the possibility that the United States is not living up to its leadership responsibilities. I believe there is such a feeling here which I shall endeavor to define. The Government has been much disturbed in recent months over what it has considered a failure by the United States to assume the initiative and to adopt the flexibility called for in the fluid situation brought about by Stalin's death, and a period in which many read signs of a receptive attitude on the part of the new Soviet regime. Perhaps it could be said they have held with Sir Winston Churchill in believing the time has come for face-to-face discussions of a general nature between the top officals of East and West. They feel we have adhered too rigidly to policy lines adopted long ago to cope with an entirely different situation. There is evidence, however, that this attitude has been modified somewhat by the US-UK-French proposal for a four-power foreign minister's conference

which a key Labor Party leader has described as a "great forward step." [4]

On specific issues I might say that our continued insistence on the vital necessity of the EDC and our position on Communist China seem too inflexible to Norwegians. They believe that EDC cannot possibly be accepted by France and Germany so long as there is hope for settlement with Russia on German unification. The Department already knows Norway's position on the Chinese situation as last reported in my despatch 1121 of June 26.

I believe that the recognition of the leadership which we have exercised for so long will suffer in some degree here in Norway unless, in the establishment of our own policies, we are willing to sympathetically give fullest consideration to the viewpoint of the Europeans themselves on such issues as those mentioned above. The issue goes more deeply than the question of economic aid or its possible withdrawal on the part of the United States.

The fourth question is whether United States domestic political events have influenced Norway's attitude toward United States leadership. Norwegian answers to this question vary somewhat, though the preponderant view seems clearly to be that the names "McCarthy" and "McCarran" symbolize a disconcerting development of undemocratic and irresponsible forces within our country. Norwegians of every hue traditonally resent any assault against civil liberties. A long chapter could be written on this, but it hardly seems necessary, especially in view of what I have previously reported. Suffice it to say that many Norwegians feel that the emotional anti-Communist forces have exercised too great an influence on the foreign policies of the present Administration. They see the President so far as conciliating the opposing and recalcitrant factions within Congress whose positions are thus allowed to loom so large that the foreign policy of the U.S. at times seems difficult to understand. They regard some of the more "extreme" statements made by Administration spokesmen to "appease" such factions as threat to Western unity. I have just been told of the "shocked reaction" expressed by a key Labor Party leader to an Embassy officer regarding the "categorical" nature of the Secretary's latest statements on the question of Communist China's admission into the United Nations and its irrelevance to the forthcoming political conference on Korea.

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[4] The reference here is to a proposal made at the Tripartite Foreign Ministers meetings in Washington, July 10–14, 1953. For documentation concerning these meetings and the note to the Soviet Union, dated July 15, which resulted from it, see vol. v, Part 2, pp. 1607 ff.

During my farewell call on Prime Minister Torp, occasioned by my departure from this post, we discussed several aspects of American foreign policy which relate directly to the questions set forth in the Department's referenced telegram. Making allowance for a certain politeness and reserve in Mr. Torp's remarks on delicate questions, I may say that his observations reflected the attitudes which I have described above. Mr. Torp indicated that while Norwegian Government officials still have faith in President Eisenhower, they feel that conflicting forces within the Republican Party are seriously impeding his program and that they have so far dimmed the force and clarity of the President's views. He observed that Norwegian officials are not acquainted with leaders of our administration, aside from President Eisenhower, and do not know what to expect from them. Mr. Torp's only response to my question as to his reaction to American political developments was that he felt less sure about the current situation than during the latest previous years and hoped "that the President would show in American politics the same spirit he showed as Commander in Europe." With reference to the strength of isolationism in the United States, he expressed the hope also that American sentiment would permit the new Administration to continue to demonstrate a positive willingness to cooperate fully with the nations of Western Europe. The Prime Minister expressed understanding of the attitudes of the American people on the future of foreign aid, but said that he hoped personally that aid would continue in such reasonable amounts as would achieve the broad aspects of NATO defense objectives. He added that "we do not feel so sure today as previously about the extent of aid." Mr. Torp strongly emphasized that no opportunity should be lost to explore any reasonable possibility looking toward the development of new and better relations with the Soviet Union, and hoped that the United States would enter four-power discussions with the view of reaching the highest degree of understanding and agreement.

In concluding our discussion, I asked the Prime Minister whether he believes that the Government and people feel as much faith as ever in United States purposes and leadership toward the goal of political unity. He stumbled a bit on this and then came back to his previous remark that he is less sure of the soundness of our policy today than he has been previously. He ended with the remark that certainly all the free world today must rest its hope largely in our country.

The Department's telegram closes by requesting the views of Chiefs of Mission as to major factors which should be borne in mind during coming months in determining U. S. lines of action. It is somewhat difficult to make definitive recommendations in this

sense, since much of the problem seems to result from the fluid state of American politics. When the President is able to stabilize his relations with Congress and establish a coherent set of policies in line with his own expressed views, a greater degree of confidence will in all likelihood develop toward the United States among Norwegian officials. In developing our foreign policy tactics, I would place great emphasis on the principle recently expressed to us by the Chairman of the Foreign Affairs Committee of the Norwegian Storting—namely, that far more important than any particular line of action towards the Soviet bloc is the development and maintenance of understanding and unity on major foreign policy issues among the nations of the Atlantic Community.

In conclusion it is my personal view that no great damage has been done to United State prestige and leadership, but that our future course calls for study of ways and means to achieve the above-mentioned European unity without which any nation's leadership becomes futile. In so far as unity between our country and Norway is concerned, it is certain that the Norwegian Government and all the Norwegian people hold our Government and people to be sincere and determined in our efforts to make every possible contribution toward this end. The only question is the degree to which we may be achieving or failing to achieve this in our present course of action. I believe further that the Norwegian Government and people view with realism the fact that all freedom-loving nations may seek the same goal and yet pursue somewhat different courses as reflected in their foreign policies. A forthright and positive United States foreign policy would do much to clear the atmosphere in so far as Norway is concerned, and particularly so if that policy is directed toward unity among the Western European nations.

C. ULRICK BAY

No. 826

Editorial Note

On November 2, H.C. Hansen, Foreign Minister of Denmark, attended a luncheon hosted by Secretary Dulles at Blair House. No record of a conversation has been found in Department of State files.

Halvard Lange, Foreign Minister of Norway, visited Secretary Dulles on November 15 to discuss the forthcoming Bermuda Conference and NAC meetings and certain aspects of the proceedings at the United Nations, which Lange was then attending. A brief

record of this conversation, dated November 16, is in file 757.13/11-1653.

No. 827

759.5/1-2754: Telegram

The Ambassador in Denmark (Coe) to the Department of State [1]

TOP SECRET COPENHAGEN, January 27, 1954—5 p. m.

374. Re proposal (B) Deptel 483, January 8 (sent Paris Topol 757, Oslo 488, Bonn 2004). [2]

1. No answer from Danes likely prior assessment results Berlin conference [3] which both politicians and people hope, and some think, will produce basis for general international relaxation.

2. We expect Danish reply to be negative. In absence dramatic worsening international atmosphere we expect continuation present state of Danish public opinion in which majority opposed increase in defense expenditure and according recent Gallup poll favors reductions. In face this attitude and given traditional caution and timidity Danish politicians, it has seemed to us most unlikely government would make any serious or effective attempt secure upward revision of military expenditures. Foreign Minister flatly stated on January 25 that government would not. Basic doubts re NATO capacity and intent defend Denmark, so often reported, plus general Danish doubt that Danish contribution significant factor in any case, still persist and militate against change.

3. From economic point of view Danes have thought their military budgets financed approximately 60 percent costs their military establishment over past five years, balance being borne by MDAP. FY 1955 budget will fall short meeting Danish-defined requirements by 40 percent. While we believe Danish economy capable supporting higher level defense expenditures we consider any revision upward most unlikely in view political attitudes cited. Thus cost of any expansion would in reality fall on US.

4. Manpower in sufficient numbers is available but lacks any training. However, in view fact military highly unattractive to most Danes, difficulty in recruiting could be anticipated.

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[1] Repeated to Paris, Oslo, and Bonn.

[2] Telegram 483 requested that the Embassy in Copenhagen comment on the capacity of Denmark to improve its Air Force to the degree necessary for meeting SHAPE requirements for the defense of Northern Europe. (759.5/1-854)

[3] For documentation concerning the Berlin Conference, Jan. 25-Feb. 18, 1954, see vol. VII, Part 1, pp. 601 ff.

5. Most serious doubts arise from fact that Danes have not yet demonstrated capability to effectively organize and operate present air forces. Impediments to this goal are basic and can only be removed by changes in organization and administration which so far Danes have been unwilling to make. Unless and until there is rational basis to believe Danes will attain efficiency at present levels it would seem to us unsound and ineffective to attempt expansion.

6. Even if one assumed that improvements in Danish military would be made so as to achieve combat effectiveness (which does not now exist nor is there much reason for optimism as to improvement) would like to express grave doubt as to wisdom of US policy which encouraged Danes to expand military forces. In view well-known and tenaciously held Danish views the extent to which their country can afford military expenditures, we should realize that such expansion, as well as maintenance of a substantial part of current forces, will only endure as long as US is willing underwrite it.

7. From a local point of view it would appear to us that a sounder basis for US and NATO policy would be to concentrate:

(1) On obtaining from Denmark a military contribution consonant in size with that which Denmark is able and willing to support from Danish resources and

(2) On obtaining combat effectiveness from that military organization. Appreciate that decisions have to be taken in light over-all considerations but desire make clear do not believe results of proposed expansion, under present conditions, would be effective from either military or political point of view.

8. This message has concurrence in substance of MAAG, Service Attachés, and Chief FOA mission.

COE

No. 828

757.5/9-2854

The Ambassador in Norway (Strong) to the Prime Minister of Norway (Torp)

TOP SECRET OSLO, September 27, 1954.

DEAR MR. PRIME MINISTER: In the absence of Dr. Lange I am addressing to you this reply to his letter of June 12, 1954,[1] inform-

[1] Not printed. Ambassador Strong transmitted a copy to the Department of State in despatch 818, June 17. (757.5/6-1754)

ing me that the Norwegian Government is prepared to open negotiations with the United States Government regarding an expansion of the Royal Norwegian Air Force. As Dr. Lange noted in his letter, the Honorable Frank Nash, then Assistant Secretary of the United States Department of Defense, had inquired of Norwegian officials in December 1953 whether Norway could increase the strength of the Royal Norwegian Air Force by one wing of three intercepter day fighter squadrons if the United States could provide the necessary equipment and training under its Mutual Security Program.

I have now been authorized to notify your Government that the United States Government is prepared to support the equipping and training of an additional wing for the Royal Norwegian Air Force. My Government has based its decision on the assurances given in Dr. Lange's letter of June 12 with respect to Norway's ability to activate and operate this additional wing without reducing the forces now assigned to NATO or forces planned to be built up for assignment.

The United States Government expects to be able to indicate in the near future the approximate dates when aircraft for the new wing can be made available.

Sincerely yours,

L. CORRIN STRONG

No. 829

Editorial Note

On November 24 President Eisenhower gave a luncheon for Oscar Torp, Prime Minister of Norway; Hans Hedtoft, Prime Minister of Denmark; and Tage Fritiof Erlander, Prime Minister of Sweden. All three Prime Ministers had arrived in Los Angeles on November 16 aboard an inaugural flight of Scandinavian Airways System. No record of the conversation at the luncheon has been found in Department of State files.

SPAIN [1]

UNITED STATES INTEREST IN THE PARTICIPATION OF SPAIN IN THE DEFENSE OF WESTERN EUROPE; EFFORTS TO ACQUIRE BASE RIGHTS IN SPAIN; NEGOTIATIONS FOR AN IMPLEMENTATION OF A DEFENSE AGREEMENT, A MUTUAL DEFENSE ASSISTANCE AGREEMENT, AND AN ECONOMIC AID AGREEMENT

No. 830

Editorial Note

Due to the dominant importance in United States-Spanish relations during 1952–1954 of the attempt to integrate Spain into the Western defense system, the documentation which follows deals exclusively with the negotiation and implementation of agreements directly related to that objective. As a result, no documentation concerning official American contacts with important Spanish persons and groups who expressed opposition to the Franco regime is included in this compilation. Foremost among these persons was Don Juan, the Pretender to the Spanish throne who was then living in Estoril, a suburb of Lisbon. One of the responsibilities of Theodore Xantnaky, the Special Assistant to the Ambassador in Portugal, was to report on conversations he held with Don Juan, which he did on a regular basis. These reports are in file 752.11. The President of the Spanish Republic in Exile, Diego Martinez Barrio, maintained contact with American officials in France on an intermittent basis. The Basque Government in Exile, led by Jose Antonio Aguirre y Lecube, occasionally called on officials of the Department of State when he was in Washington. Inside Spain, the Comite Interior de Coordinacion, an umbrella organization encompassing most non-Communist opposition groups ranging from the socialists to the monarchists, regularly communicated to the Embassy in Spain accounts of its position vis-à-vis the attempt by the United States to integrate Spain into Western defense schemes. Documentation concerning these contacts is in files 611.52, 752.00, and 752.5.

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[1] For previous documentation on this subject, see *Foreign Relations*, 1951, Part 1, vol. IV, pp. 773 ff.

No. 831

Spanish Desk files, lot 58 D 344, "Negotiations: U.S.-Spanish, Jan.-Mar. 1952"

Memorandum by Edgar J. Beigel of the Office of Western European Affairs

CONFIDENTIAL [WASHINGTON,] January 2, 1952.

SUMMARY AND COMMENTS ON THE SUFRIN REPORT

I

The Sufrin report on Spain * proposes a one-year aid program amounting to $130 million, with another $195 million spread over four subsequent years (79–66–37–13). The report states that the first $130 million "would probably result in an increase of industrial production by 6–8 percent within twelve months, and an increase in agricultural production by 12–20 percent within one crop year." The report suggests, however, that only $70–80 million of economic aid funds might actually be required for such a program (during the first year) since "a conservative estimate would indicate that somewhere in the neighborhood of $50–60 million will accrue to Spain in the form of free dollars as a result of military operations" and such dollar earnings could be applied to the rehabilitation program outlined in the report.

The $130 million program, according to the report, is required "to put the Spanish economy on a firm enough basis so that it will be able to support a growing US and Spanish military machine with all the incidental positive adjustments to the civilian economy." The essential purpose of the recommended program appears to be summarized in the following sentence: "The dollar estimates

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* "Report on the Spanish Economy" submitted by the Temporary (ECA) Economic Study Group, Madrid, December 20, 1951, consisting of 575 single-spaced, legal-size mimeographed pages bound in two volumes. Report prepared by Sidney C. Sufrin in collaboration with Messrs. Petrasek, Curry, Crouse, Flott, Hamilton, Nemzek, Lynton, Unger, Andrews, Esteves, Alexander, Sutherland and Minneman. The letter of instruction to Mr. Sufrin from Mr. Foster (dated August 6) said that "the group should not exceed eight officers at any one time." The report consists of thirteen chapters: conclusions and recommendations, introduction, national accounts, foreign trade, electric power, coal, non-ferrous metals, agriculture, chemicals and fertilizer, iron and steel, railroads and highways, miscellaneous supplies, and syndicates. [Footnote in the source text. The Study Group had its origins in a directive contained in the basic U.S. policy statement on Spain, NSC 72/6 of June 27, 1951, whereby economic assistance was to be provided Spain as a part of the effort to integrate it into the European Defense Community. For the text of NSC 72/6, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 820. The Economic Cooperation Administration created the Study Group to survey the requirements of the Spanish economy within the context of this policy. For a description of the Study Group's authority and mission, see telegram 90 to Madrid, Aug. 2, 1951, *ibid.*, p. 850. A copy of the Sufrin Report is in ECA-MSA files, lot W-745, "Spain".]

which are viewed as necessary and desirable sufficiently to rehabilitate the economy so that it may bear the complex burden of US military activity, complex because the burden includes civilian economic requirements whose importance is political and social in their ultimate consequences—these estimated dollars are for imports; the remainder of the expenditures are assumed to be direct charges against the Spanish economy."

The report states that the $130 million estimate of requirements assumes that "US economic activity is directed toward supporting and assisting the US military activity, and not directed to other goals." An examination of the commodity composition of the program suggests that only about $35 million of the total bears some direct relation to possible military activities: equipment for the Sevilla power grid and six semi-mobile steam generating stations, parts and supplies to rehabilitate 200 locomotives and 10,000 freight cars and increase the supply of steel rails and ties, and a small amount of highway repair equipment. The rest of the program would consist of $80 million for petroleum, coke, steel scrap, rubber, automobiles, trucks and buses, mining equipment, equipment for the production of chemicals, mules, tractors and agricultural machinery, hybrid seed corn, fertilizer and insecticides; and a "kitty" of $15 million for machine tools.

The report contains the following statements about the railroads, highways and electric power parts of the $130 million program: 18 to 36 months would be required to complete the Sevilla power grid and install the steam generating stations; the highway equipment requirements "bear no relationship to the highways the US military authorities would select for reconstruction (which) information is unavailable" to the study group; the JMST estimated that $8.5 million worth of parts, rails and ties would be sufficient "for an emergency program to place the rail system on a functioning basis" although the study group costed these materials at $15 million and then raised the figure to $25 million for inclusion in the $130 million program. The study group did not have access to a report which the RENFE is supposed to have prepared for the JMST regarding the length of track that would have to be laid and bridges that would have to be replaced to support 1600 H.P. locomotives with an axle load of 18.5 metric tons; and sidings that would have to be built to accommodate trains of up to 1500 metric tons.

II

The similarity of the Sufrin program to a program drawn up in WE in March 1951, is remarkable. The WE program (TF I D–14,

March 7, 1951 [1]) was at that time not accepted by the inter-agency Foreign Aid Steering Group (Task Force I). A copy of the WE program was available to Mr. Sufrin from the ECA files, before he left for Spain.

III

The Sufrin report has little to say about the administration of an economic aid program in Spain, or about inducing the Spanish Government to accept the aid program as outlined in the report. The report makes no particular contribution to the solution of this problem. The report however, contains the following statements:

1. "To protect against (too rapid an increase in money incomes in Spain as a result of any US military expenditures) it is suggested that arrangements be made with the Spanish Government not only to restrict the money supply, but also that rather sharp restrictions be placed on the building of unnecessary structures (such as high-priced apartment houses) and the production of luxury goods (such as luxury trinkets and consumer goods)."

2. "As soon as appropriate (military) agreements have been arrived at with the Spanish Government, four million dollars should be made available for the import of comestibles, including wheat. Other consumer goods such as hand tools and other simple equipment for the farm and small hand industry, beans, sugar, rice, some household equipment, gasoline, and such like items, should be included in this category. The immediate importation of consumer goods . . . should be designed . . . [2] to keep the price level from getting out of hand, and assure the population that the US is concerned with its welfare." All the foregoing is lumped in the $4 million figure, which in turn is included in the food sector of the $130 million program (see table attached).

3. "Low-cost housing and other consumer expenditures near or at military bases are a proper charge to military activity; hence, no estimate is given."

4. "Closely connected with the entire program should be pressures brought upon the Spanish Government to restrain the banks and the budget-making offices of the Government from overextending the supply of money, including bank deposits. Mortgage, especially building mortgage, control is essential."

5. "As a result of the military intervention, (some) items which normally would have to be exported for dollars will be sold in Spain for pesetas, as a result of the increase in the standard of living."

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[1] Not printed; regarding the interdepartmental Foreign Aid Steering Group and its task forces, which developed the Fiscal Year 1952 foreign assistance program for Congressional presentation, see the editorial note in *Foreign Relations*, 1951, vol. I, p. 286. A copy of Task Force I D-14 is in S/ISA files, lot 52-51, "TF I—(Documents) D-14".

[2] These and following ellipses are in the source text.

IV

The Sufrin report contains the following proposals with regard to the administration of any US military construction program in Spain:

1. "The US should institute some system of administrative control to assure the maximum benefit from its expenditures" and to resist the "administrative and public policy of the Spanish Government designed to assist and benefit (vested) interest groups and particular persons and companies."
2. "A monopsonistic policy by the US will do much to stabilize the economy, i.e., prevent price gouging, not only for US purchases, but for the economy at large. This stabilizing procedure will be strengthened insofar as the US deals through contractors whose business interest will induce them to act as prudently on US account as on account of their other clients."
3. "All funds available to Spanish firms through the Spanish Government should be publicized . . . to limit favoritism and graft in the expenditure of US funds."[3]

[3] Attached to the source text was a table in which the figures contained in the foregoing summary were broken down into more detailed categories.

No. 832

MSA telegram files, lot W-130, "Paris Repto": Telegram

The Acting Special Representative in Europe (Porter) to the Mutual Security Agency

SECRET PRIORITY PARIS, January 7, 1952—9 p. m.

Repto 86. Limit Distribution. For Bissel and Wood from Porter. Subsequent cable [1] will develop OSR views on econ policy which shld govern prospective US aid to Spain. This cable concerned primarily with broader political and public relations aspects. Fol represents concerted OSR view, including Riddleberger, information, labor information and labor.

1. Bilateral agreement shld contain clause to effect that aid program will conform to gen objectives defined in Mutual Security Act [2] and Econ Cooperation Act. [3] Some such provision presumably called for by statutory requirements re bilaterals in section 115 (B) Econ Cooperation Act as construed in light of Spanish aid clause in appropriation act. [4] Wld seem desirable on policy grounds even if not legally required. "Objectives" thus referred to wld of course in-

[1] Not further identified.
[2] Mutual Security Act of 1951, P.L. 82-165 (65 Stat. 373), Oct. 10, 1951.
[3] Economic Cooperation Act of 1948, P.L. 80-472 (62 Stat. 137), Apr. 3, 1948.
[4] Mutual Security Appropriation Act of 1952, P.L. 82-249 (65 Stat. 730), Oct. 31, 1951.

clude those set forth in Benton amendment. [5] It is fully recognized that issue of free trade unions must be handled with patience, careful preparation and timing, and diplomatic skill. Encouragement of free private enterprise will probably also encounter some strong resistance from certain element within Spanish Govt.

2. We must recognize, however, that large segment of Eur opinion whose support of Mutual Security objectives is essential to their success, will find inclusion of Spain in any aspect of Mutual Security program distasteful, and will not be reconciled to US policy in Spain, until there is tangible evidence that Spanish internal policy is itself liberalized. Internal changes which wld make Spain less objectionable to Western Eur opinion cannot, of course, be expected to come quickly. On other hand, they are by no means irrelevant to US objectives in extending econ aid.

3. In light of above, as well as paramount military considerations and directly related econ factors, it seems to us that great care shld be used in selection of MSA mission leadership. Mission chief shld fully understand US interest in its broadest aspects and shld have unusual diplomatic skill. This does not necessarily mean that mission chief shld be well known public figure. There wld be at least some advantage if contrary were true. Business experience is of course one useful qualification but not the most important. Prior experience ECA wld be extremely helpful. Believe person selected as mission chief shld be well regarded by free Amer labor unions as well as others representative of that part of Amer opinion dubious of benefits to US in giving aid to Spain.

PORTER

[5] Section 516 of the Mutual Security Act of 1951 (see footnote 2 above); it stipulated that free enterprise and free labor union movements "where suitable" were to be encouraged, and cartel and monopolistic practices discouraged "to the extent that it is feasible" in the administration of the Mutual Security Act.

No. 833

611.52/1-552

The Counselor of Embassy in Spain (Jones) to William B. Dunham of the Office of Western European Affairs

SECRET MADRID, January 9, 1952.

DEAR BILL: Your letter of December 14 [1] arrived shortly before the Christmas holidays and I have not had an opportunity to ac-

[1] Not found in Department of State files.

knowledge it earlier. We took advantage of the long weekend over New Year's to go south (Ubeda, near Jaén) for four days' rest and sunshine. It was very pleasant and we missed the Porter visit [2] with all of the work and social activity involved. Meanwhile, the subject of your letter has developed into an open issue with the Porter press conference [3] and subsequent publicity on both sides of the Atlantic.

While the Embassy has been guided by the policy referred to in Deptel 463 of December 12, [4] there has been a feeling here that plans for economic aid, as provided in the MSA Appropriations Act of 1952, [5] should not be neglected while waiting termination of the military negotiations which have not even yet begun. This attitude was explained in the last paragraph of Embtel 592 of December 8 [6] to which you referred. Our feeling is rather that the United States Government should be ready to move ahead on economic aid simultaneously with negotations in the military field since the success of our military objectives, we feel, are closely bound up with an intelligent economic aid program. Regardless of whether the Spaniards will grant us military facilities without economic concessions, I think that most of us here are in agreement with Sufrin's thesis that a thoughtful economic aid program is essential in support of our military objectives and that this support should be simultaneous with and not subsequent to initiation of the military program.

The phrase in Embtel 604 [7]—"position the Department is taking"—was, unconsciously perhaps, a reflection of our feeling that this position was not necessarily that of the ECA (now MSA) and an indication of our concern over a possible conflict of tactical policies in Washington. If I may express my personal concern, it was that the Department would lose control of foreign policy in their particular phase of Spanish-American relations by adhering too rigidly to a pat formula, "limited economic aid for Spain only as a concession to the achievement of specific military objectives", with the implied timetable of no economic aid until after the successful conclusion of military negotiations. Congress has ear-

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[2] Porter was in Madrid from Dec. 30, 1951, to Jan. 2, 1952, while en route from Lisbon to Paris.

[3] Brief accounts of the Porter news conference, given for American reporters while in Madrid, are in despatches 637 and 639 from Madrid, Jan. 4. (752.00(W)/1-452)

[4] For the text of telegram 463, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 856.

[5] Mutual Security Appropriations Act of 1952, P.L. 82-249 (62 Stat. 137), Oct. 31, 1951.

[6] For the text of telegram 592, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 855.

[7] Telegram 604 advocated the recall of the ECA (Sufrin) group immediately upon completion of the survey of the Spanish economy in order not to leave the impression that aid was forthcoming regardless of what military concessions were granted to the United States by the Spanish. (752.5 MSP/12-1151)

marked a substantial sum for Spain and in my opinion it is only realistic to assume that the Spaniards consider this figure a floor for their aspirations in the economic field rather than a ceiling. In other words, Senator McCarran tipped your hand to the Spaniards when he wrote his amendment into the appropriations bill. [8] Furthermore, MSA will undoubtedly feel a responsibility to Congress to proceed as soon as possible with an aid program, specifically authorized by the legislative branch of the Government, before the fiscal year runs its course—and it is more than half gone now. I agree that the original tactics were sound but they have been weakened—probably beyond usefulness—by time and a series of events, such as the assignment of an ECA group to Spain in August, the McCarran amendment to the MSA Appropriations Act, the delay in the JCS to make decisions on the Spry report, [9] and the recent publicity on the Sufrin report and the anticipated establishment of an MSA representation in Spain.

We have just seen a copy of a joint mesage from MSA, Defense and State to Porter dated January 3 [10] which seems to establish a

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[8] Reference is to the Mutual Security Appropriations Act of 1952, P.L. 82-249 (65 Stat. 730), Oct. 31, 1951. The clause inserted by Senator McCarran, a member of the Appropriations Committee, reads as follows: "Assistance to Spain: For economic, technical, and military assistance, in the discretion of the President under the general objectives set forth in the declaration of policy contained in the titles of the Economic Cooperation Act of 1948 and the Mutual Security Act of 1951, for Spain, $100,000,000".

[9] The Spry Report was the product of the survey of Spanish military facilities conducted between Aug. 22 and Nov. 1, 1951, by the Joint Military Survey Team under the leadership of Maj. Gen. James W. Spry. (For the origin and purposes of this team and its mission, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 838.) The Spry Report was transmitted in despatch 425 from Madrid, Nov. 2, 1951. (752.5/11-251) Ambassador Griffis expressed in his covering note to the report his and Spry's opinion "that the Spaniards will be willing to negotiate a military agreement, including basing and overflight rights, physical developments of military facilities and munitions factories (with their obvious economic correlation), prior to and without any final and definite assurance of substantial direct economic aid." The report, which consisted of a summary of the findings of the Survey Team and seven annexes, began by proposing the initiation of "immediate negotiations with a view to developing facilities for the support of the foreseeable U.S. military requirements." It continued by noting that the Spanish Government was not at that time "favorably inclined toward membership in NATO," preferring instead a bilateral agreement with the United States, and that Spain, "under existing political conditions," did not want to send troops beyond its borders into Europe in the event of war. After presenting a brief evaluation of currently existing Spanish military facilities, the report suggested a list of eight desirable U.S. military requirements. While most of these concerned Air Force and Navy facilities, the final one (h) provided for "development, equipping, manning and utilization of facilities as required for any projected United States Army operations." The Spry Report was submitted immediately upon completion to the Joint Chiefs of Staff for approval or modification of its recommendations.

[10] Reference is to telegram 528 to Madrid, Jan. 3, sent originally to Porter through the Embassy in France as telegram 3792. It reported the Department of

Continued

realistic and workable program for future negotiations. If we can begin negotiations for a bilateral agreement of economic assistance at the same time we undertake negotiations for military facilities, we will have the advantage of a well-coordinated policy during the period of the negotiations with one ready to support the other at the appropriate time.

The sooner the JCS decisions on the JMST report are forthcoming, the easier it will be to keep all this on the track. Your 528 of January 3 is good policy now but it may not be in three months.

All our sincere best wishes for 1952. May it be as good to all of us as the one just past.

Yours ever,

JOHNNY

State plan to undertake negotiations with Spain for economic, technical, and military agreements on a coordinated basis as soon as the Joint Chiefs of Staff had passed judgment on the Spry Report. (752.5 MSP/1-352)

No. 834

752.5/1-2152

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET [WASHINGTON,] January 24, 1952.

Subject: Defense Department Recommendations regarding Spain.

1. The attached letter from Mr. Foster, and the two JCS memoranda enclosed with it, [2] contain the tentative Defense Department recommendations on Spain. The first memorandum summarizes the principal findings of the Spry report, [3] contains JCS comments and recommendations and encloses a document containing cost estimates of Army, Navy and Air Force requirements in Spain. The second memorandum transmits draft terms of reference for a Joint US Military Group (Spain).

2. In the first memorandum the JCS state that in broad terms tentative US military requirements in Spain should include:

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[1] Drafted by Millar; a copy was sent to Nitze.

[2] None printed; the letter from Deputy Secretary of Defense Foster, dated Jan. 21, transmitted the two JCS memoranda, dated Jan. 16, and Jan. 17, respectively. (752.5/1-2152)

[3] See footnote 9, *supra*.

a. Development of air bases to permit some peacetime rotation and an eventual wartime deployment of ten wings and supporting units.

b. Navy aircraft off-loading dock and flyaway runway and a Navy advanced air base capable of supporting carrier air, marine air, antisubmarine warfare, reconnaissance and fleet logistic air wing operations to include peacetime rotation and possible wartime deployment.

c. Anchorage rights and use of port repair facilities.

d. Use of existing subterranean storage facilities.

e. Air defense system adequate for US installations.

f. Necessary improvement of Spanish air, maritime, and logistic facilities related to the above requirements.

g. Implementation of all US Army responsibilities related to the foregoing.

h. Development, equipping, manning and utilization of facilities as required for any projected US Army operations.

i. Development of Spanish military potentialities to maximum degree possible within existing US limitations, in order to support the above requirements and to aid in the defense of Western Europe.

j. Utilization of an amphibious training area.

k. Such additional facilities as may be necessitated because of developments in negotiations with other countries.

3. JCS comments and recommendations include the following:

a. The US should negotiate forthwith for US military requirements in Spain.

b. Previous restrictions (i.e., the limited approach agreed upon by the President, Secretary Acheson, Secretary Marshall and Admiral Sherman prior to the latter's visit to Spain [4]) should now be lifted to permit fuller exploitation of the objectives set forth in NSC 72/6. [5]

c. A Joint US Military Group, headed by a general officer of the Air Force, should be established in Spain as a matter of priority. This Group would be the cadre of an eventual MAAG and would be responsible to the Chief of Staff, US Army, acting as executive agent. The team would conduct negotiations at the military level; assist the Ambassador in negotiating a bilateral government agreement; and would also continue the exchange of information, furnish appropriate technical advice, analyze Spanish requirements for military aid, and formulate the terms of reference for the permanent organization for approval of the JCS.

d. An early allocation of minimum training equipment to Spain is feasible but it would be premature until additional on-site surveys have been made by the JUSMG.

e. The JCS recognize that the Ambassador will coordinate the activities of the Group and the MSA mission.

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[4] For documentation on this "limited approach", see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 825 ff.

[5] For the text of NSC 72/6, June 27, 1951, see *ibid.*, p. 820.

4. The first JCS memorandum originally concluded with the recommendation that the entire $100 million appropriated by Congress in the fall of 1951 [6] (for economic, technical and military assistance) be utilized to meet the construction and other costs of US military requirements in Spain. This did not appear in the memorandum, however, and Mr. Foster's covering letter states that Defense recommendations regarding the use of these funds will be transmitted later. [7]

5. The enclosure to the first memorandum contains cost estimates as follows: a) $15 million for railroad equipment for US Army transportation requirements in Spain; b) $60 million for Navy requirements, including $46 million for the advanced naval air base and $12 million for the off-loading dock; c) approximately $330 million for Air Force requirements. (Although three alternative deployments are given for Air Force requirements the cost is about the same, the principal differences between them being whether the locations are to be nearer coastal areas and whether existing Spanish facilities are to be utilized.)

6. The draft terms of reference for a Joint US Military Group, enclosed with the second JCS memorandum, place the Group under the general guidance of the Ambassador and authorize its functions as outlined in paragraph 3c above. The terms of reference also include the statement that: "for information and initial planning purposes only, the eventual commitments to be sought from Spain include the following:"

a. Use of Spanish territory by the armed forces of the US.
b. Cooperation in the aerial and naval defense in the Mediterranean and Western Europe.
c. Logistical assistance to support US requirements in Spain.
d. Deployment of Spanish forces to such areas as are determined by the US and Spanish authorities to be in their mutual interest.
e. Support of all US commitments and obligations in Western Europe and the Mediterranean against any aggression.

7. EUR's comments on the Defense Department recommendations will follow in a separate memorandum. [8]

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[6] These funds were made available by the provisions of the Mutual Security Appropriations Act of 1952, P.L. 82-249 (65 Stat. 730), Oct. 31, 1951.

[7] These recommendations were made in a letter dated Mar. 4, from Secretary of Defense Lovett to the Secretary of State. (752.5/3-452)

[8] *Infra.*

No. 835

752.5/1-2152

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Deputy Under Secretary of State (Matthews) [1]

TOP SECRET [WASHINGTON,] January 29, 1952.

Attached is the promised additional memorandum on the Defense Department's papers on Spain. [2] I take it these are the papers we were told about in the JCS [3] which had been sent to the Secretary of Defense's office. From Mr. Foster's covering letter [4] it appears that they have not had Defense approval, fortunately. I think the main problem is how we get this matter down to earth again. I am inclined to think that before going back to the Joint Chiefs we should talk to someone in the office of the Secretary of Defense. Whether it should be Bill Foster or Frank Nash I do not know but would suggest that we should approach the matter from that angle. I believe this should be done promptly before we freeze on approving such items as "Development, equipping, manning and utilization of facilities as required for *any* projected US Army operations." [5]

[Attachment]

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Deputy Under Secretary of State (Matthews) [6]

TOP SECRET [WASHINGTON,] January 28, 1952.

Subject: Comments on Defense Department Recommendations regarding Spain.

Following are EUR's comments on the Defense Department recommendations regarding Spain which were summarized in my memorandum of January 24. [7] (All references herein are to the

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[1] A copy of this memorandum was sent to Nitze.

[2] See footnote 2, *supra*.

[3] This information was imparted at a meeting of officials of the Department of State and the JCS on Jan. 16. A record of the meeting is in State–JCS Meetings, lot 61 D 417, "III".

[4] See footnote 2, *supra*.

[5] This passage was quoted from the memorandum by Perkins, Jan. 24, paragraph 2 (h), *supra*.

[6] Drafted by Dunham; a copy was sent to Nitze.

[7] *Supra*.

numbered paragraphs of that memo.) If approved, I suggest these points be discussed with the JCS.

1. We agree that negotiations for US use of Spanish air, naval and supporting logistic facilities should be undertaken as soon as possible with the Spanish Government.

2. Before negotiations are begun and prior to the departure of the proposed Joint US Military Group, the agencies concerned should agree on all aspects of program to be covered by the negotiations. This will include not only the refinement of the military requirements to be sought and the necessary preparations by the State and Defense Departments for those negotiations, but also the development of such economic and military aid (in addition to construction work) as is to be undertaken in support of the US military program in Spain. Once we have Defense Department views regarding the utilization of the $100 million, [8] we are prepared to work out with Defense and MSA an agreed program covering this aspect of the negotiations.

3. Although we had planned to date that the first stage of our new policy toward Spain would be limited to approaching the Spanish Government for the use of air, naval and related logistic facilities, the program proposed by the JCS in their memorandum and in the terms of reference for the JUSMG is much more far-reaching. This full program appears to have two major additional elements: a) the eventual commitments to be sought from Spain, which are included in the terms of reference (paragraph 6, previous memo); and b) three new requirements of a broad and general nature, apparently primarily Army requirements (paragraphs 2h, i and k).

4. The eventual commitments the JCS suggests be sought from Spain have long-range policy implications which will require further thought and study. We will submit our views and recommendations concerning them later.

5. a) Of the three new broad requirements, the first (paragraph 2h) refers to projected US Army operations. We judge it is also related to the first of the five proposed eventual commitments to be sought from Spain (paragraph 6a). Although we would appreciate information indicating more precisely what is envisaged by this requirement, it seems to us that it, and perhaps the suggested commitment, exceed the limitations which it was agreed by the President, Secretary Acheson, Secretary Marshall and Admiral Sherman would govern the US approach to the Spanish Government on

[8] The views of the Department of Defense on this matter were received by way of a letter of Mar. 4, from Secretary of Defense Lovett to the Secretary of State. (752.5/3-452)

this matter. [9] A copy of Mr. Lovett's letter confirming the position agreed with the President is attached. [10] In our opinion the political considerations which underlay this decision have not changed to such an extent that we should now agree to remove this limitation, for this particular purpose, as the JCS suggest (paragraph 3b).

b) The second new requirement (paragraph 2i) appears to be consistent with and to support the balance of the four eventual commitments desired by the JCS from Spain (paragraph 6b, c, d, and e). It is likewise questionable whether this requirement, and the suggested commitments, are consistent with the limitations approved by the President. We would suggest, therefore, that consideration of this requirement be postponed until the presentation of EUR's views in accordance with paragraph 4. Meanwhile, you may wish to ask the JCS to provide more precise information regarding this requirement.

c) The third new requirement (paragraph 2k) is broad and general and it is not clear to us what the JCS have in mind. It is recommended that you ask for clarification of this point during the discussions with them.

6. We concur with terms of reference for the JUSMG (paragraph 3c) with the following three exceptions:

a) The eventual commitments to be sought from Spain, which we are now studying.

b) Paragraph 1(e) of the terms of reference. In order that the Service-to-Service negotiations may be fully and clearly tied to the governmental negotiations, we recommend that this sentence be revised to read:

> "The Chief JUSMG will, when requested, render assistance to the Ambassador in Governmental negotiations including the development of a bilateral governmental agreement, and in connection therewith will conduct Service-to-Service negotiations as may be required with a view to implementing those recommendations in the Joint Military Survey Team (Spain) report which may be approved by the Joint Chiefs of Staff."

c) In our opinion a survey of Spanish requirements for military aid by the JUSMG, concurrently with negotiations for military facilities, could adversely affect those negotiations. We believe such a survey would raise Spanish hopes and expectations of receiving military end-item aid, thus making our negotiating position more difficult. However, the Spaniards are expecting to receive some military aid and we should consequently be prepared, if necessary, to offer some aid in the form of training equipment. We recommend, therefore, that the reports of the Service attachés be

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[9] For documentation concerning these limitations, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 825 ff.

[10] The letter, dated July 13, 1951, has not been found in Department of State files.

checked and, if they do not provide adequate information on this subject, that we agree to a survey expressly limited to training equipment. General dollar and item limitations of such a program should be agreed between our Departments before the survey is commenced. A survey of Spanish requirements for military end-item aid should not be made, we believe, before the negotiations have been completed and decisions have been made regarding such a program and its relation to the broader military cooperation which is implicit in the long-range commitments discussed in paragraph 5 above.

7. In view of frequent references by Franco and other high Spanish officials to their desire for assistance in improving the Spanish munitions industry, both General Spry and Ambassador Griffis reported that the Spanish Government has a major interest in this type of aid. Since there are important policy questions and supply problems involved in extending military end-item aid to Spain, the possibility of providing assistance to the Spanish munitions industry may conceivably constitute a feasible alternative, at least in the first instance. However, there may also be supply difficulties in this regard. We believe, therefore, that the Defense Department should be asked to prepare an estimate of the type of assistance which could appropriately be extended to the Spanish munitions industry.

8. You may wish to remind the JCS that the British and French, according to our agreement with them, should be informed of our plans before negotiations are undertaken with the Spanish Government.

9. Although the estimated cost of the tentative military requirements set forth by the JCS totals approximately $405 million, none of the three Services have funds for use in Spain during FY 1952 or programmed in their budgets for FY 1953. Unless funds in their budgets can be diverted from other uses, therefore, the only source of funds during FY 1952 and 1953 will be the presently available $100 million, or a supplemental appropriation. Although we do not yet know over how many years the $405 million military program is intended to stretch, MSA has suggested that the $100 million could be used to cover part of the cost. This could be accomplished by extending economic aid to Spain on a grant basis and using the required counterpart for US military expenses in Spain. It is recommended that you ask the JCS how they plan to finance their proposed program.

10. As a result of preliminary discussions, the Defense Department has agreed to provide as quickly as possible a breakdown of the cost estimates including estimates of expenditures in and outside Spain and time phasing of the expenditures; Defense Department recommendations regarding the use of the $100 million; and

estimates of the peacetime and wartime US military complement in Spain. This information, which is promised within a few days, [11] is required in order to prepare a complete evaluation of the political impact and significance of the proposed military program both in Spain and in Western Europe, as well as upon our relations with those countries.

11. Following are our preliminary comments regarding the program suggested by the JCS:

a) The air base program proposed for Spain would constitute one of the largest SAC bomber complexes in any country outside the US. Only the bomber bases in the UK and French Morocco approach in magnitude the bomber bases proposed for Spain.

b) In view of the existing political, economic and social circumstances in Spain, we believe an immediate and full implementation of a program of this magnitude would entail an undue risk of creating an impact greater than present-day conditions in Spain could readily assimilate, with resulting dislocations—social as well as economic—which would prejudice the attainment of our objectives.

c) The proposed JCS program exceeds in size and scope the requirements understood by the British and French during their consultations with Admiral Sherman.

12. In our opinion there are two basic considerations in developing the military program in Spain:

a) The program should include all minimum necessary requirements so that we avoid the necessity of approaching the Spanish Government a second time with new and more extensive requirements. In view of the considerations mentioned in paragraph 11b above regarding the impact in Spain of the proposed program, we would suggest that the JCS review their recommendations in order to determine the minimum necessary requirements. We would hope that the resulting program would be on a more modest scale than the air, naval and related logistic facilities, Army requirements and eventual commitments from the Spanish Government which are envisaged in the present JCS proposal.

b) The military program should be implemented gradually in Spain. In our view it would be unwise to embark immediately on the full implementation of a program of the magnitude represented by the military facilities tentatively proposed by the Defense Department. Rather, we believe it would be in the interest of the US to proceed gradually in establishing the military facilities we may be granted in Spain in order to escape, to the greatest extent possible, the difficulties mentioned in paragraph 11b above.

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[11] This information was transmitted in a letter of Mar. 4, from Secretary of Defense Lovett to the Secretary of State. (752.5/3–452)

No. 836

Madrid Embassy files, lot 58 F 57, "320—U.S.-Spain"

William B. Dunham of the Office of Western European Affairs to the Counselor of Embassy in Spain (Jones)

TOP SECRET WASHINGTON, January 30, 1952.

DEAR JOHNNY: This is a letter which I hope will bring you up to date regarding the current status of plans for economic and military negotiations and our thinking with respect to some of the points that have not yet been resolved.

I think we can cover the necessary ground with respect to economic assistance by answering your letter of January 9. [1] I feel that substantial agreement has been reached in Washington with respect to the underlying purpose of economic assistance. I would like to stress, however, that this agreement is in some instances only at the working level and, it is in any case, only tentative. It is generally agreed, I think, that as you wrote in your letter of January 9, the U.S. Government should be ready to move ahead with negotiations regarding economic aid at the same time we carry on military negotiations. However, I think that the biggest difference between the views you expressed, and the views that are jelling in Washington, is in respect to the objective to be served by economic aid. The thinking here is that economic assistance will be used to support the military program in Spain—whatever that turns out to be. It will be directed toward this objective and not toward a general rehabilitation of the Spanish economy. I realize that to some extent the same projects in Spain would receive U.S. assistance, whether the objective was support for U.S. military plans or economic recovery in general. But it cannot be emphasized too much that the present tendency is to make a very clear differentiation between the two basic principles involved. (This is so much for your own information that I think it would be well for you to restrict circulation of this letter in order to guarantee that its contents will not pass to the Spaniards because, among other reasons, this is only an indication of thinking here and is not a formally agreed position). It seems likely that a sum of the magnitude of $4 or $5 million dollars may be set aside for consumer goods on the theory that it would be prudent in terms of public relations, and that it might be useful as a counter against a possible inflationary effect from our military program. In this connection, both we and the MSA, at the working level, are inclined to discount, somewhat, Pro-

[1] Document 833.

fessor Sufrin's estimate [2] of the magnitude of the inflationary effect. All this is quite hypothetical, however, until the details of the military spending are known. To date we have not received them from the Pentagon, though they are promised. [3]

We still think that negotiations for economic assistance should not precede military negotiations, since, in the first place, we cannot plan the support for a military program until that program is defined. Secondly, the amount of the $100 million dollars available for economic assistance has not been determined. Thirdly, because we still lean, to some extent, toward the idea of using the promise of economic assistance as a carrot to attain our military objectives. But I hasten to add that this is a subsidiary consideration and one which weighs relatively lightly in our thinking at this time.

It is conceivable that there may be very little of the $100 million dollars for economic assistance because it appears that Defense has no budgetary provisions, either in fiscal 1952 or 1953, for an expanded military program in Spain. This is hard to believe, I know, but it seems to be a fact. It is not yet clear whether they can transfer funds earmarked for other purposes, but at this moment the prospects do not seem to be good. The idea has been advanced that the $100 million dollars might be used for economic assistance and that the counterpart might then be used for the construction costs and other peseta requirements of our military program.

To a considerable extent the present attitude in Washington regarding the timing of economic assistance does not bear out the apprehension expressed in the third paragraph of your letter, that the Department was losing control of the situation. I think the attached memorandum from Bissell to Harriman indicates that the MSA seems quite determined to stick by the position I have outlined. [4]

There is complete agreement at the pick and shovel level in the State Department and the MSA about the desirability of following through on the technical assistance provision of the $100 million dollar legislation. We all think that this is one of the soundest and most worthwhile investments that the U.S. could make in Spain. While we have not yet reached the point of drawing up a tentative U.S. list of proposed technical assistance projects, we have all agreed that agriculture is certainly one of the fields to be covered.

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[2] For a summary of Sufrin's estimate, contained in his report of Dec. 20, 1951, see Document 831.

[3] These "details" were contained in a letter of Mar. 4, from Secretary of Defense Lovett to the Secretary of State. (752.5/3-452)

[4] Not found attached to the source text. A copy of this memorandum, dated Jan. 15, is in DMS files, lot W-1425, "Spain".

We would welcome any views that the Embassy has in this or any other respect.

I realize that the Spaniards may be expecting much more in the way of economic assistance than may ultimately be available. If they have convinced themselves that the $100 million dollars is a minimum, rather than a maximum figure, I can only point to the series of telegrams which have been addressed to this subject over the past six months or so. We have tried at this end to head off exaggerated hopes of U.S. assistance. If it does not come through in the magnitude expected, they will just have to live with the problems which, to a considerable extent, the Spanish Government has created or fomented.

Our present thinking here is that a bilateral agreement would be negotiated to cover economic assistance. We have been working with MSA on the basis of our January 8, 1952 bilateral with the Yugoslavs. [5] As soon as we have a copy of this very tentative first draft, I will send it along for your comments and consideration.

Turning now to the question of our military plans, I have enclosed two memoranda which I think should bring you relatively up to date with what has happened, and what our thinking is. The first contains a summary of the tentative Defense recommendations. [6] I stress the word "tentative" because Foster stated in his covering letter [7] that the Defense position would not be ultimately defined until they had the State Department views and had considered the matter further in Defense. The second memorandum sets forth our comments and views regarding the tentative JCS requirements. [8] I would suggest that you do not discuss our views with the Service attachés even if by some remote chance they should get copies of the Defense papers that were sent to the State Department and show them to you. If they do get copies of the Defense papers I would go slow in discussing the matter with them because I can conceive that the situation could become very complicated if there are interdepartmental discussion and communications at both ends of the telegraph line! *

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[5] The text of the Economic Cooperation Agreement between the United States and Yugoslavia is in 3 UST (pt. 1) 1.

[6] Document 834.

[7] See footnote 2, *ibid.*

[8] *Supra.*

* We did not mention in our telegram today that we were sending you the information you requested in your telegram #808, January 29, in view of the suggestion contained in this letter regarding discussions with the Service attachés there. [Footnote in the source text. Telegram 627 to Madrid reported that the JCS recommendations were then in the Department of State. (711.56352/1-2952) Telegram 808 from Madrid requested that the recommendations be sent promptly to the Embassy. (711.56352/1-2952)]

We are waiting now for the more detailed information from Defense which is mentioned in our first memorandum. I expect that Doc Matthews will decide to speak with the JCS shortly on the basis of our two papers which have gone to him. †

Present plans call for Ambassador MacVeagh to remain in Lisbon until after the NATO meeting there. He will then return here for consultation before proceeding to Madrid. Therefore, one might guess that he would not be in Madrid much before the first half of March. [9] This is right off the top of the head, but it would seem to me that it will take about that long anyway before all plans for the negotiations are completed, final approval given, the British and French informed and the military representatives sent off for the negotiations. It may very well be that it will take longer before agreement is reached regarding these plans and the stage is set. In any case, I would not imagine that military negotiations will begin before Ambassador MacVeagh arrives.

You will appreciate the extent to which I have consulted the crystal ball in sending the foregoing information. Don't hold me to it too closely. I will keep you informed, however, how things are going. Although it goes without saying, I will say it anyway—don't hesitate to write about anything that isn't clear. And let us have the benefit of your ideas. I can't guarantee, of course, that they will (a) arrive in time to be actively considered, or (b) be accepted, but of course you know what the process of "policy formulation" entails at this end.

With best regards,

Sincerely yours,

BILL

† Mr. Perkins has recommended that Mr. Matthews follow this up with the JCS as a matter of urgency. [Footnote in the source text.]

[9] Ambassador MacVeagh arrived in Madrid on Mar. 23, and presented his credentials to the Spanish Government on Mar. 27.

No. 837

ECA-MSA-FOA files, lot W-13, "MAAC Documents, D-1—D-11"

Memorandum by the Chairman of the Mutual Assistance Advisory Committee (Gordon) to All Members of the MAAC [1]

TOP SECRET WASHINGTON, February 2, 1952.

MAAC D-3/1

This is to confirm the following understandings reached at the MAAC meeting of January 31 [2] as regards the utilization of the $100 million appropriated for Spain in the Mutual Security Appropriation Act of 1951.

1) It would not be appropriate for MSP funds to be used to finance direct dollar expenditures for the construction of military facilities to meet U.S. requirements in Spain. This is based on the view that expenditures of MSP appropriated funds for this purpose do not appear to constitute assistance to Spain within the terms of the Mutual Security Appropriation Act.

2) It would be appropriate for counterpart funds, generated through the purchase of dollar commodities for the Spanish economy, to be used for the construction of military facilities in Spain, even if for exclusive use by U.S. forces.

3) In view of the strong desire of the Spanish Government for military training equipment, and for assistance to the rehabilitation of the Spanish munitions industry, MAAC recognized the need for consideration of these items in negotiations with the Spanish for military facilities.

4) As a rough working basis for developing negotiating instructions, the following breakdown should be used as general guidance by the Working Group on Spain (State, Defense, MSA, and DMS):

$40 million for commodity purchases as economic assistance to Spain. The counterpart funds deposited against such expenditures could be used for construction of military facilities and other local expenditures.

$25 million for the purchase of military training equipment.

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[1] The Mutual Assistance Advisory Committee was created on Nov. 1, 1951, as a replacement for the former International Security Affairs Committee in its role as an interdepartmental coordinating agency for mutual security programs. W. Averell Harriman, Director for Mutual Security, appointed Lincoln Gordon, Assistant Director for Policy and Planning, as the Chairman of the MAAC. The Department of State, the Department of Defense, the Department of the Treasury, the Office of Defense Mobilization, and the Economic Cooperation Administration (later the Mutual Security Agency) were also represented on the MAAC.

[2] The minutes of the MAAC meeting of Jan. 31 were circulated on Feb. 5 as MAAC M-8. (ECA-MSA-FOA files, lot W-13, "MAAC Minutes")

$15 million for the purchase of materials for the railroad rehabilitation program.

$20 million for investment in Spanish munitions industry, development of strategic materials, and other investment projects.

5) The Working Group on Spain [3] will study this proposal, will obtain the necessary information on the time-phasing and the approximate division between dollar and peseta costs of the military facilities program, and will formulate promptly a specific negotiating program.

[3] The Working Group on Spain was chaired by Dunham of the Department of State and included Tannenwald of DMS, DePaul of MSA, and Fischer of the Department of Defense.

No. 838

711.56352/2-652

Memorandum by the Deputy Director of the Office of European Regional Affairs (Parsons) to the Assistant Secretary of State for European Affairs (Perkins) [1]

TOP SECRET [WASHINGTON,] February 6, 1952.

Subject: Spain.

I feel certain that, in your meeting with Mr. Nash on Spain this afternoon, [2] you will have in mind the implications for NATO of any appreciable military end-item aid program for Spain.

At a time when delivery of all equipment for the NAT countries is lagging very badly, any deliveries to Spain other than on a really "bare-bones" training basis will not only delay the NATO arms programs but will create political problems. Such a procedure would indicate a lower priority for NATO, and would be a disincentive to greater NATO action.

In this respect, the off-the-record remark attributed to General Eisenhower yesterday that Spain should not be in NATO indicates to some extent his views on the high priority of the NATO operation.

As we see it, our base-rights can be obtained without giving such end-item aid. Any end-item training equipment should be subject to careful screening by both Departments. The proposed figure of

[1] Drafted by Wolf.

[2] For the background of this meeting, see Document 835. No record of the meeting has been found in Department of State files.

$25,000,000 [3] appears about 10 times too high, and should also be subject to screening by item.

End-item aid beyond that should be postponed for future consideration at a time when we are able to give it without impairing the NATO effort, and at that time we should seek and obtain, in return therefor, a commitment from Spain to use the equipment and its forces in support of the NATO and/or UN effort. To tie the base rights transaction to that future trade would be both to weaken our bargaining position and impair the NATO effort.

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[3] Gordon suggested the figure $25 million in his memorandum of Feb. 2 (*supra*) as a general guideline for use by the MAAC Working Group on Spain in drawing up its recommendations for a negotiating program.

No. 839

Editorial Note

During a news conference on February 7, a reporter noted that General Eisenhower had been quoted as saying that he opposed Spain's admission to NATO, and asked whether the President agreed with those sentiments. President Truman replied that he had "never been fond of Spain." When the reporter asked if that was an affirmative answer, the President said: "That is my answer. I gave it to you." At the end of the news conference, a questioner asked if the President meant that he was never very fond of the Franco government when he referred to Spain. The reply was: "That's right. That's right." (*Public Papers of the Presidents of the United States: Harry S. Truman, 1952–1953*, pages 140–144) Pursuant to these comments, former Ambassador Griffis stated on February 8 that the President's dislike probably stemmed from the "intolerable delays" by the Spanish Government in carrying out reforms toward religious freedom. (Despatch 846 from Madrid, February 19; 611.52/2–1952)

In addition to an outraged reaction in the Spanish press, these remarks prompted a letter, dated March 17, from Generalissimo Franco to President Truman, the full text of which has not been found in Department of State files. The essential excerpts of this letter, transmitted from Madrid in telegram 955, May 7, are as follows: "I hope that negots which are about to start shall attain happy ending and will draw our two peoples nearer each other . . . I do not believe there is any essential matter between our nations which can estrange us since friendship and understanding between countries have always been above peculiarities of each people.

"Those differences of a religious nature which enemies of our understanding seek to exaggerate merely respond to a natural difference in feelings and traditions of a country fully united in its Catholicism and where dissident confessions do not amount to one per thousand of its population, and of those other countries which, due to their diverse and numerically important confessions, are compelled to live under a system of mutual concessions and balance. . . . Our system does not interfere with the private practice of other cults, which is guaranteed in our nation by its basic laws." (611.52/5–752)

See Document 845 for further Spanish reactions to the above remarks and Document 862 for a reply to Generalissimo Franco's letter.

No. 840

752.5/1–2152

The Secretary of State to the Secretary of Defense (Lovett) [1]

TOP SECRET [WASHINGTON,] February 11, 1952.

DEAR MR. SECRETARY: The Department of State has given careful consideration to the recommendations and proposals of the Joint Chiefs of Staff set forth in the memoranda enclosed with your letter of January 21. [2] After consultations with officials of the Department of Defense, the Department of State has the following comments and recommendations concerning the program to be negotiated with the Spanish Government.

Enclosed with this letter are two memoranda [3] containing the Department's recommendations regarding the revised terms of reference for a Joint US Military Group and those requirements, taken from the program set forth by the Joint Chiefs of Staff, which the Department considers should be the subject of negotiations with the Spanish Government at this time.

In essence, the Department proposes that the United States Government should negotiate with the Spanish Government for the development and use of the minimum necessary air, naval and related logistic facilities required by the United States in Spain. This program conforms to the course of action decided upon by the

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[1] Drafted by Dunham and cleared with Wolf, Spaulding, Bonbright, and Perkins.

[2] See footnote 2, Document 834.

[3] The first of these is not printed; it was a response to the general set of guidelines for the U.S. negotiating group contained in the JCS memorandum of Jan. 17 to the Secretary of Defense. (752.5/1–2152)

President, the Secretary of State, the Secretary of Defense and Admiral Sherman, which was confirmed in a letter of July 13, 1951 from the Acting Secretary of Defense to the Secretary of State. [4] In the Department's opinion the considerations which underlay this decision have not changed to such an extent that it would be advisable at this time to undertake negotiations with the Spanish Government for the full program envisaged by the plans of the Joint Chiefs of Staff. It is the Department's intention, however, that the forthcoming negotiations and the arrangements which may be made with the Spanish Government shall not prejudice the satisfaction of additional requirements of the Joint Chiefs of Staff at such time as it is decided that further negotiations with the Spanish Government are desirable.

Before the requirements outlined in the second enclosure are finally accepted, it is suggested that they be reviewed to determine whether a program of less magnitude—both as to the number of airfields and the number of United States personnel—could be prepared which would meet the minimum necessary requirements of the United States for military facilities in Spain. If a program of the extent contemplated by present Air Force and Navy requirements is deemed necessary, it should be noted that two important additional problems will be created. First, it would be necessary to proceed gradually in implementing a program of the size proposed, if the facilities desired are granted. In view of the existing political, economic and social circumstances in Spain, the Department believes an immediate and full implementation of a program of this magnitude would entail an undue risk of creating an impact greater than present-day conditions in Spain could readily assimilate, with resulting dislocations—social as well as economic—which would prejudice the attainment of our objectives. Second, in view of the widespread facilities desired, it would also be advisable, if possible, to provide the Ambassador with an evaluation of the relative priority of importance attached to each of the facilities desired for his guidance during the negotiations.

In view of the nature and scope of the negotiations which are recommended, the Department believes that the proposed survey of Spanish requirements for military end-item aid and the allocation of minimum training equipment should be reconsidered. In the Department's opinion a survey of Spanish needs for military aid, concurrently with the negotiations, would adversely affect those negotiations. It would, we believe, raise Spanish hopes and expectations of receiving military end-item aid, thus making our negotiating position more difficult. Moreover, in the absence of a program which

[4] Not found in Department of State files.

covers commitments for the use of Spanish troops in the common defense, and in the light of present supply shortages, the Department believes it would not now be justifiable to consider granting military aid beyond military assistance related to the development and protection of the desired military facilities, token training equipment and possible aid to Spanish munitions industries. At a time when delivery of all equipment to the NAT countries is lagging, any deliveries to Spain other than severely limited training equipment would not only delay the NATO arms program but would create political problems with our NATO allies. Such a procedure would indicate that NATO priorities had been lowered, which in turn would act as a discouragement to greater NATO action. End-item aid, beyond these training limits, should be postponed for future consideration at a time when it would be possible to give it without impairing the NATO effort. Also, that aid should be considered only at such time as it will be possible to arrange a commitment from Spain to use the equipment and its forces in support of the common defense. It is the Department's view, therefore, that the proposed survey of Spanish requirements for military aid by the Joint US Military Group should be dropped at this time.

The Department fully recognizes, however, that the Spaniards are expecting to receive some military aid in return for extending the desired military facilities to the United States. Therefore, in addition to the development and expansion of Spanish air, naval and logistic facilities, which General Franco has indicated will be used jointly, and to the air defense system in Spain proposed by the Air Force, some further military assistance might, if necessary, be considered in two further fields—assistance to the Spanish munitions industry and military training equipment. In view of frequent references by General Franco and other high Spanish officials to their desire for assistance in improving the Spanish munitions industry, both General Spry and Ambassador Griffis have reported that the Spanish Government has a major interest in this type of aid. [5] The Department believes, therefore, that the possibility of providing such assistance should be studied and suggests that the Defense Department prepare, from information now on hand, an estimate for discussion in the interdepartmental working group on Spain of the type of assistance which could appropriately be extended to the Spanish munitions industry, if the Spanish Government should request such aid during the negotiations.

The Department believes it would be desirable to consider also what token amounts of military training equipment could be pro-

[5] Ambassador Griffis reported the Spanish interest in this aid in despatch 425 from Madrid, Nov. 2, 1951. (752.5/11-251)

vided, if this type of assistance is requested. In this connection it is recommended that the reports of the Service attachés and other available information be checked. In the event this material does not prove to be adequate, the JUSMG may be authorized, after future consultation between the Departments of State and Defense, to make a survey expressly limited to training equipment, if the Spanish Government requests such aid during the negotiations. General dollar and item limitations of such a program should, however, be agreed between the two Departments before the negotiations are opened.

The Department agrees with the recommendation of the Joint Chiefs of Staff that negotiations should be undertaken as soon as possible with the Spanish Government. It is our hope that preparations can be completed in order that negotiations may be initiated shortly after Ambassador MacVeagh has presented his credentials. Present tentative estimates indicate that this would place the opening of negotiations about the middle of March. [6]

Before the negotiations can be opened, however, and prior to the departure of the proposed Joint US Military Group, the Department believes that the agencies concerned should agree on all aspects of the program to be covered by the negotiations. This will include not only preparations for the negotiations covering the military rights desired but also the development of such economic and military aid as is to be undertaken in support of the US military program in Spain. The Department considers therefore that agreement between the two Departments on the matters discussed in this letter is urgent and we are prepared to discuss the questions raised at any time with you or the Joint Chiefs of Staff if that should be desired. Meanwhile, in order that work on the details of the latter aspects of the program may go forward as rapidly as possible, the Department hopes that the interdepartmental working group on Spain can shortly receive the Defense Department's views regarding the utilization of the $100 million appropriated by the Congress for economic, technical and military assistance to Spain. [7]

Sincerely yours,

DEAN ACHESON

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[6] Ambassador MacVeagh presented his credentials on Mar. 27; the negotiations opened on Apr. 7.

[7] These views were received in a letter from Secretary of Defense Lovett to the Secretary of State, Mar. 4. Secretary Lovett concurred with the JCS view that the $100 million appropriated for Spain by Congress in the Mutual Security Act of 1951 should be matched for fiscal years 1953 and 1954 as well, and that to the $78 million per year counterpart funds generated by these successive $100 million grants should be added $52 million per year from Department of Defense funds. The total of $130 million per year, or $390 for 3 years, was to be used for base construction costs. (752.5/3-542)

[Enclosure 2]

Paper Prepared in the Department of State

TOP SECRET [WASHINGTON, February 11, 1952.]

U.S. MILITARY REQUIREMENTS IN SPAIN

The following U.S. military requirements in Spain, stated in broad terms, should be the subject of negotiations with the Spanish Government at this time: *

(1) Early development of U.S. Air Force airbase complexes to permit some peacetime rotation and an eventual wartime deployment of six (6) medium bomb wings, one (1) strategic reconnaissance wing, one (1) fighter escort wing, two (2) fighter interceptor wings and supporting units.
(2) Early development of a Navy aircraft off-loading dock with flyway runway and a nearby Navy advanced airbase capable of supporting carrier air, marine air, anti-submarine warfare, reconnaissance and fleet logistic air wing operations to include peacetime rotation and a possible eventual wartime deployment.
(3) Anchorage rights and utilization of port repair facilities.
(4) Utilization of existing subterranean storage facilities.
(5) Development of an Air Defense system adequate for U.S. installations.
(6) Necessary improvement of Spanish air, maritime, and logistic facilities related to the above requirements.
(7) Implementation of such U.S. Army responsibilities as are related to the above requirements.
(8) Utilization of an amphibious training area.

* Subject to the considerations outlined in the fourth paragraph of the covering letter. [Footnote in the source text.]

No. 841

Madrid Embassy files, lot 58 F 57, "320—U.S.-Spain"

The Counselor of Embassy in Spain (Jones) to William B. Dunham of the Office of Western European Affairs

TOP SECRET MADRID, February 14, 1952.

DEAR BILL: I have shown your letter of January 30, [1] with various enclosures, to Ivan White and Dan Anderson only. First let me say how very grateful we are for this complete and informative account of the present status of U.S. military and economic policy toward Spain. We haven't had anything like it since the departure

[1] Document 836.

of the two survey teams and it is altogether a most revealing set of documents. I think we have very little quarrel with your present policy objective of limiting economic assistance to the support of our military program in Spain—whatever that may turn out to be. We agreed with Sufrin on such a policy definition in the early days of his mission here and we still feel that that should be the policy framework of an economic assistance program here. It may be, however, that we give a broader interpretation to what we consider essential, economically, to support a military program. Certainly we feel that a general strengthening of the Spanish economy could only be a gain in terms of such support and that enormous military investment should not be jeopardized by a frail and continuously unhealthy economy. We also feel that Spain should not be made a special case in the spending of MSA funds but should be treated, in the implementation of an aid program, as any other European country if we wish to achieve in good spirit whatever military objectives will eventually be agreed upon in Washington. The Spanish Government has carefully studied the bilateral agreements and U.S. aid programs for other European countries and is fully aware of the kind of assistance which is going to Spain's neighbors. While we understand that there must be quantitative limitations on Spanish aid, we urgently suggest that we appear to place no qualitative limitations which would be considered clear discrimination in relation to our treatment of other countries committed to the defense of Western Europe.

This is perhaps the place to emphasize our conviction that General Franco meant what he said when he talked to Admiral Sherman last June [*July*] about the need of economic assistance to support a policy of Spanish belligerency:

"He (Gen. Franco) went very thoroughly into the necessity to prepare a nation completely, in the economic as well as in the military field, for war, if that nation were to grant operating rights which would of necessity give the nation a belligerent status whenever those rights were used in war.

"He then developed Spanish needs for economic assistance and emphasized the need for economic preparation of Spain to withstand the vicissitudes of war. He mentioned the drain on the economic resources which would be inherent in its use as a base for military forces.

"I (Adm. Sherman) then commented on his last point, to the effect that while furnishing military equipment would not in itself constitute economic assistance, expenditures of funds to develop base or logistic facilities would inevitably be of help to the Spanish

economy. I said also that we were familiar with the economic problem, but that I could talk only in the military field." [2]

We feel that the Spanish economic needs are so primary, that negotiations for economic assistance will have to be conducted simultaneously with military negotiations if we expect to make any progress on the latter. Further on this subject, we do not share the opinion of our former Chief that military negotiations are going to be easy. [3] We believe the Spaniards are going to drive a hard bargain and that negotiations will be difficult and lengthy unless we are prepared to spend sizeable sums considerably beyond the $100 million which have presently been appropriated.

We also believe that the Spaniards would find the use of their counterpart funds for U.S. military objectives entirely unacceptable. In the first place, it has not been our policy with other European countries who have enjoyed relative freedom in the application of counterpart funds to the rehabilitation of various aspects of their own economy or their own national economic plant. Secondly, it would seem a doubtful basis on which to begin a military program in Spain in the light of the partial control which the Spanish Government would exercise over counterpart funds. Thirdly, it would deprive the Spanish Government of the anticipated dollar exchange which would normally result from the conversion of U.S. currency in a base-building program.

We were indeed shocked to read that the Department of Defense has made no provision for a military program in Spain for 1952 or 53, and wonder if there is not some mistake. As you remember, last summer or fall the President signed a bill [4] authorizing an enormous base-building program in the U.S.A. and abroad, of a magnitude of somewhere around five billion dollars. An air base or port rehabilitation program for Spain is surely the kind of program that was envisaged in this Act and we find it hard to believe that, if the Spanish program is considered of sufficient importance, the Defense Department cannot tap this huge appropriation for what may be required. Incidentally, it is also shocking to contemplate that the only money that MSA or Defense now have to play with is not a result of their own foresight. After all the conversations, publicity and surveys that have been carried on in Spain and with respect to Spain over the past year, it strikes one as incredibly poor plan-

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[2] For a complete account of this conversation held on July 16, 1951, see the memorandum of conversation by Admiral Sherman printed in *Foreign Relations*, 1951, vol. IV, Part 1, p. 832.

[3] Ambassador Griffis expressed this opinion in despatch 425 from Madrid, Nov. 2, 1951; see footnote 9, Document 833.

[4] Reference is to the Military and Naval Installations Construction Act, P.L. 82-155 (65 Stat. 336), Sept. 28, 1951.

ning that MSA and Defense now find themselves dependent upon the foresight of one Senator expressed in a last-minute Amendment. [5] I sincerely hope that the good Senator will not be permitted to grab the ball again (which he has already announced that he will do) in the 1953 program for military and economic investment in Spain. We all hope it is not too late for the Administration to include Spain in its illustrative presentation of the country distribution of funds which will follow the President's recommendations to the Congress for the MSA Authorization Bill of 1953. These illustrative presentations always get to the press sooner or later and the uncertainty and insecurity which would be generated in this country by the omission of Spain would, we feel, be unfortunate for our side and our policy objectives here.

We agree with you on the usefulness of the Technical Assistance Program in Spain. We do suggest, however, that we not lend technical assistance in a field in which we do not intend to make a substantial investment of economic aid. For example, do not send technical experts to Cataluña to give advice on the efficient operation of textile mills unless we intend to make MSA funds available for the purchase of raw cotton or do not send them to Andalucia to advise on the best means of combating the olive fruit fly unless we are prepared to make sufficient funds available in our economic aid program for the purchase of insecticides.

We will, of course, be greatly interested in seeing a copy of your first draft of a bilateral agreement for economic assistance as soon as it is available, particularly those portions dealing with the Benton Amendment. [6] It is useful for us to know that it is based on the Yugoslav precedent, [7] a point which we might carefully avoid mentioning publicly in deference to Spanish sensibilities.

In reading over the enclosures on JCS decisions and recommendations, it is apparent to us that the principal cause of delay on the Spanish program is the failure of the military to adhere to the original policy decisions approved by the President and cleared with our principal allies in NATO (NSC–72/6 [8]). By failing to stick to the limited objectives which had been approved, the JCS (and presumably Defense) have opened up wide the question of U.S. military policy toward Spain and put us right back where we were

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[5] Reference is to Senator McCarran and his insertion of the Spanish appropriations clause into the Mutual Security Appropriations Act of 1952; see footnote 8, Document 833.

[6] Section 516 of the Mutual Security Act of 1951, P.L. 82-165 (65 Stat. 373), Oct. 10, 1951.

[7] Reference is to the Economic Cooperation Agreement of Jan. 8, 1951; for text, see TIAS 2384, printed in 3 UST (pt. 1) 1.

[8] For the text of NSC 72/6, June 27, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 820.

a year ago. This failure to abide by the original terms of reference (paragraph 3b of your memorandum of January 24 to Matthews and Nitze [9]) obviously leads to such indecisive and vague references to U.S. military policy as were ascribed to General Bradley in the fifth paragraph of Bissell's memorandum of January 15 to Harriman. [10] I do hope you in the Department will be able to get the military back on the track so that we can get started with the program in its original concept. I have no doubt that many of these additional military plans for Spain, such as the Army Department hopes for, will eventually become reality but they can all be worked out after the program has begun on the basis of the original NSC proposal.

We are not quite sure what you mean by the Paragraph 11-b on Page 5 of your memorandum of January 28 to Matthews and Nitze and would be grateful if you could spell that out for us in greater detail. With reference to the final considerations outlined under Paragraph 12 of your memorandum, we feel that the basis of criticism in the last sentence of 12-a and in 12-b is one in which the Department is on the weakest grounds. It seems to us here that the Department should not attempt to tell Defense and JCS how big or how little the defense effort in Spain should be but rather to emphasize the desirability of going ahead to whatever extent the military feel desirable within the framework of policy already approved.

With reference to your guess on Mr. MacVeagh's arrival in Madrid, he told me when we visited him in Lisbon weekend before last that he expected to arrive here around the last of March. This was based on the following tentative schedule: (a) the NATO meeting would keep him in Lisbon until around the last of February; (b) two weeks' consultation in Washington up to March 15; (c) return to Lisbon to pack up and make farewell calls the third week in March; and (d) motor from Lisbon to Madrid arriving here around the last week of that month.

If any of the above should prove helpful, we would be happy. Let me know if you would like any of it in telegraphic or despatch form. I want to reemphasize how helpful and useful it is to us to have the kind of information which you have sent us in your letter of January 30 and to ask you to keep us in mind as this situation

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[9] Document 834.

[10] The memorandum summarized the status of preparations within the U.S. Government for negotiations with Spain. (DMS files, lot W-1425, "Spain")

develops and send us another round-up as soon as you can of developments since the date of your letter.

Very sincerely yours,

JOHN WESLEY JONES

No. 842

Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations"

Report by the Interdepartmental Working Group on Spain to the Chairman of the Mutual Assistance Advisory Committee (Gordon) [1]

TOP SECRET WASHINGTON, February 26, 1952.

MAAC D-3/2

As requested in your memorandum of February 2 [2] concerning the use of the $100 million appropriated for Spain in the Mutual Security Appropriation Act of 1951, the inter-departmental working group on Spain has prepared the attached memorandum containing a breakdown of these funds.

The breakdown was prepared in accordance with the MAAC decisions stated in your memorandum:

"1) It would not be appropriate for MSP funds to be used to finance directly dollar expenditures for the construction of military facilities to meet U.S. requirements in Spain. This is based on the view that expenditures of MSP appropriated funds for this purpose do not appear to constitute assistance to Spain within the terms of the Mutual Security Appropriation Act.

"2) It would be appropriate for counterpart funds, generated through the purchase of dollar commodities for the Spanish economy, to be used for the construction of military facilities in Spain, even if for exclusive use by U.S. forces."

In brief, this breakdown is based on the premise that the primary purpose to be served in using these funds is to create sufficient "spendable" counterpart funds to meet the peseta costs of U.S. military construction requirements through FY 1953, estimated at $78 million peseta equivalent. Under this procedure the dollar cost of construction for this same period, estimated at $52 million, will be financed by the Defense Department. It has also been assumed that the cost of the construction program (of which the above amounts represent the estimated funds required for the first year) will be equally divided over a three-year period.

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[1] For the membership of the Interdepartmental Working Group on Spain, see footnote 3, Document 837.

[2] Document 837.

If the Spaniards should be unwilling to accept a proposal along the lines of the attached memorandum, a somewhat similar proposal in a different form could be made. Under this alternative $88 million (i.e., $100 million dollars less $12 million for military training equipment) would be used to purchase local currency to cover the peseta cost of the first year of the military construction program in Spain. The dollar cost of construction would be financed by the Defense Department. This procedure would, of course, require a modification of the MAAC decision that none of the MSP funds may be used to finance direct dollar expenditures for the construction of military facilities to meet U.S. requirements in Spain. If this alternative were used, it would then be necessary to agree with the Spanish Government, as the Minister of Commerce has already indicated they are prepared to agree, on a joint U.S.-Spanish commission to determine how the dollars thus accruing to the Spanish Government should be spent.

In order to limit the cost of the program in Spain to the greatest possible extent, the U.S. should be prepared to make every effort to obtain Spanish agreement to one of these procedures, preferably the use of counterpart funds for the first year peseta cost of the military construction program.

It must be recognized, however, that obtaining agreement for such use of these funds will be an exceedingly difficult task, if it is possible at all. The Embassy in Madrid, in commenting on the working group's memorandum, has stated its belief [3] that the Spaniards would find the use of counterpart funds for U.S. military objectives entirely unsatisfactory. They point out that this has not been our policy with other European countries which have been relatively free to apply counterpart funds to their own economy. Furthermore, they observe, it would deprive the Spanish Government of the anticipated dollar exchange which would normally result from the conversion of U.S. currency in a base-building program. At the same time it should be noted, in this regard, that the Spanish Government has given numerous indications that it is most anxious to conclude a military agreement with the U.S. This interest will probably temper any tendency to insist on financial arrangements which would prejudice the successful conclusion of a military agreement. However, this is no assurance that the Spanish Government will accept these financial arrangements which will undoubtedly fall far short of the amount of assistance which the Spanish public has been led to expect.

It should be emphasized that both of the procedures outlined above suffer the same defect from a negotiating point of view—

[3] See the letter from Jones, *supra*.

namely, the lack of adequate Defense Department funds to meet the $78 million peseta equivalent cost of the U.S. military construction program in Spain during FY 1953. The result is that, unlike similar programs in other countries, we are endeavoring to make available aid funds perform double duty, e.g., through the exceptional use of counterpart for a U.S. military construction program. It must be assumed that the Spanish Government will, sooner or later, observe this distinction in the case of Spain and our negotiating position will be proportionately affected.

Although we may start with the first position outlined above and, if the MAAC should agree, revert to the alternative should that be necessary, it is essential that we be fully prepared to meet the situation which will arise if we are unable to agree with the Spanish Government on either of these two procedures. There appear to be three possibilities in this regard:

First, the Spanish Government may not grant the U.S. the use of all the air and naval facilities desired. In that event the present total cost estimates would be reduced and could be met, to the extent then required, as indicated in the following two paragraphs.

Second, construction work during the first year could be limited to the $52 million, which the Defense Department is to provide from its budget, [4] and such additional amounts as it may be able to obtain as a result of further reprogramming within its budget. Larger amounts to compensate for the limited first-year construction program could then be budgeted for FY 1954 and FY 1955.

Third, funds (not specifically earmarked for Spain) could now be provided in the Defense Department's public works budget to cover both the estimated dollar and peseta costs for the first year of the military construction program in Spain.

The effect of these alternatives is, of course, to raise the "cost" of the desired military facilities in Spain by the amount of the peseta expense of the construction program. Under the two procedures outlined at the beginning of this memorandum, the "cost" of the first year of the program would be a maximum of $152 million. Under the latter alternatives this "cost" would be increased to a maximum of $230 million. In determining which of these alternative courses of action should be followed, the MAAC may consequently wish to consider whether the U.S. should undertake expenditures of this magnitude in Spain.

Draft agreements covering economic assistance and military assistance are currently being prepared by the agencies concerned.

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[4] For the origin of this $52 million figure, see footnote 7, Document 840. Although the letter containing the JCS proposal for a negotiating program was sent by Secretary Lovett to Secretary Acheson on Mar. 4, the MAAC Working Group on Spain had advance knowledge of its contents.

Administrative plans with regard to an MSA mission and a MAAG are also being made.

[Attachment]

PROGRAM FOR THE EXPENDITURE OF $100 MILLION MSA APPROPRIATION FOR SPAIN

The Problem

To prepare a program for the spending of $100 million MSA appropriation for Spain for "military, economic, and technical assistance" which will:

a) generate sufficient "spendable" counterpart to meet the peseta costs of U.S. construction requirements through FY 1953, estimated at $78 million peseta equivalent.

b) finance necessary imported materials for the rehabilitation of Spanish railroads to the extent envisaged in the U.S. Army estimates of required transportation support for the U.S. construction requirements program through FY 1953.

c) provide for financing of development of strategic materials in Spain of interest to the U.S.

d) provide for financing for rehabilitation and development of the Spanish munitions industry to the extent that such development is of interest in connection with the general defense of Europe.

e) generate sufficient "spendable" counterpart, in addition to a) above, to meet the estimated peseta costs of investments under c), d) and ??.

f) provide for reasonable amount of technical assistance to Spain.

g) provide for a reasonable amount of direct military assistance to Spain, in the form of limited amounts of military end-items for training purposes.

h) finally, provide for financing of investment projects for the general economic development of the Spanish economy.

In preparing such a program, the working group was faced with the fact that the above 8 objectives are essentially competitive one with another, so that the essence of the problem was to achieve a balanced program in which each objective was given its proper weight and priority. In theoretical terms, the problem was to equate the marginal utility of the amounts allocated to each of the foregoing objectives, within the limits of certain absolute priorities and interpreting utility in the light of total U.S. foreign policy objectives in Spain, and with due consideration of certain essential inter-relationships among the various objectives.

In considering this problem, the working group made certain assumptions:

a) that, insofar as possible, the program should be self contained and should neither inflate nor deflate the Spanish economy. It should not inflate because, for political and military reasons, the Spanish economy should not be allowed to deteriorate as a direct consequence of U.S. military activities. It should not deflate because, in order to bring about a net deflationary effect on the Spanish economy, funds needed for allocation to primary U.S. objectives would have to be diverted to other uses.

b) absolute priority should be given to program objectives calculated to support the achievement of U.S. military requirements in Spain.

c) no incremental peseta expenditures would be involved in the rehabilitation of Spanish railroads, on the further assumption that adequate facilities and labor were already available to use the imported materials.

d) no incremental peseta expenditures in the Spanish national defense budget would be required to put to use such military end-items for training purposes as would be supplied.

e) the peseta investment required in conjunction with foreign exchange investments in projects for economic development of the Spanish economy, inclusive of investments in strategic materials development and development of the Spanish munitions industry, would be approximately equal to the foreign exchange investment.

The Program

On the basis of the foregoing objectives and assumptions, the working group has developed the following program, in terms of dollar expenditures and related peseta investment requirements. As an item of information, the third column lists the counterpart deposits which would be required under existing practice. (It should be noted that the expected counterpart deposit total the equivalent of $88 million, i.e. more than the peseta costs of the U.S. construction requirements.)

One of the most crucial aspects of the following program is the relationship between total peseta investment and the allocation for commodities to offset the inflationary impact of such investment. It will be noted that the ratio used is 2 to 1, i.e., $50 million worth of commodities are programmed against peseta investments of $100 million, although this ratio was arrived at after careful analysis of the data available on the Spanish economy and the probable results of an injection of peseta spending of this magnitude, it cannot give more than a reasonable order of magnitude, and should be subject to further continuous study during the course of the program.

(all figures in millions of dollars)

	Dollar Financed Imports	Peseta Investment	Counterpart Deposit
U.S. Naval and Air Force Requirements through FY 1953	*(52)	*78	0
Commodities provided to offset inflationary impact of peseta investment	50	0	50
Military end-items for training purposes	12	0	0
Technical Assistance	1	0	1
U.S. Army Requirements for railroad rehabilitation through FY 1953	15	0	15
Development of Spanish munitions industry	5	5	5
Investment projects for economic development of Spanish economy and development of strategic materials production†	17	17	17
Totals	100 *(152)	100	88

*In accordance with the understanding reached by MAAC, it is assumed that the direct dollar costs of U.S. requirements in Spain will be financed from sources other than the $100 million MSA appropriation. The figures of $52 and $78 million are arrived at in the following manner, on the basis of information and estimates supplied by the Department of Defense: Total U.S. requirements for construction are $389 million (Navy, $59 million; Air Force, $330 million—using Deployment A; Army requirements for transportation support are entered separately). These requirements are to be phased evenly over a 3 year period, or at the rate of approximately $130 million per year. The first year is defined as the period ending June 30, 1953. In each of the 3 years of the construction period, 40% of the total cost will be in dollars ($52 million) and 60% will be in pesetas ($78 million). [Footnote in the source text.]

†In accordance with a recently concluded arrangement with DMPA, strategic material production projects will be financed under their administration. This will involve advances on the future production of such items as copper, tungsten and pyrites. Insofar as funds are required beyond those provided by this arrangement with DMPA, they could be provided out of the investment projects fund here suggested. [Footnote in the source text.]

No. 843

Editorial Note

On March 4 the Mutual Assistance Advisory Committee convened to consider the report of the MAAC Working Group on Spain (*supra*). The minutes, which were designated MAAC M–16 and dated March 13, revealed sharp disagreements over the amount and use of counterpart funds to be put up by the Spanish

in return for United States aid and a tendency to discount the view of the American Embassy in Spain that the Spanish would never accept the first alternative proposed in MAAC D-3/2. (Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations") The result of this tendency was that the negotiating position proposed by the MAAC was somewhat less flexible than that proposed in MAAC D-3/2 by the Working Group. Accordingly, the Working Group issued a revised report, MAAC D-3/3, dated March 11 (Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations") which was in turn subjected to revisions during a Mutual Assistance Advisory Committee meeting on March 14, recorded in MAAC M-17 of March 18. (ECA-MSA-FOA files, lot W-13, "MAAC Minutes") After having been circulated to the interested agencies for approval and further revisions, MAAC D-3/3 was issued as DMS D-7 on March 20 (Document 846). This last document served as the official instructions for the MSA negotiating team during the first several months of negotiations.

No. 844

752.5/3-1252

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Lovett) [1]

TOP SECRET WASHINGTON, March 3, 1952.

Subject: Military Assistance to Spain.

1. In reply to your memorandum of 15 February 1952, [2] subject as above, the Joint Chiefs of Staff have reviewed their recommendations of 16 and 17 January, [3] and 15 February 1952, [2] in light of the comments submitted by the Department of State. [4]

2. The Department of State has based its position upon the supposition that the limitations on "initial discussions" with the Spanish, as imposed by the President on 11 July 1951, are still in effect. On 16 July 1951 the late Admiral Sherman, together with Ambassador Griffis, conducted the initial discussions with General Franco

[1] Signed by Vandenberg and transmitted by Secretary Lovett to Secretary Acheson in a letter of Mar. 12. According to the letter, it constituted a reply to Acheson's letter to the Secretary of Defense of Feb. 11 (Document 840). In concurring with the JCS recommendations, Lovett found the positions of the Departments of Defense and State sufficiently close to permit the negotiations to begin.

[2] Not found in Department of State files.

[3] See Document 834.

[4] Reference is to Document 840.

concerning U.S. military requirements and operating facilities desired in Spanish territory. Subsequently, from 22 August to 31 October 1951, a Survey Team, headed by Major General Spry, conducted a survey of selected Spanish air, naval and related logistic facilities. The Joint Chiefs of Staff therefore consider that the period of initial discussions, referred to in paragraph 3 of the Department of State letter, has been concluded.

3. The Joint Chiefs of Staff agree, with one exception, to the Department of State's proposed terms of reference for the Joint U.S. Military Group (JUSMG) (Spain). The Joint Chiefs of Staff consider that subparagraph 1h of Enclosure 1 [5] to the Department of State letter, dated 11 February 1952, should charge the Chief JUSMG (Spain) with specific duties concerning an analysis of Spanish requirements for military training equipment. The Services will require such an analysis to allocate properly the limited available supply of such equipment. Furthermore, they believe subparagraph 1h is unnecessarily restrictive in requiring interdepartmental approval of subsidiary military surveys in Spain. It is therefore recommended that subparagraph 1h of the terms of reference proposed by the Department of State be deleted, and the following substituted therefor:

"h. The Chief, JUSMG (Spain), using available information, will analyze and make recommendations on Spanish requests for military training equipment. If available information proves to be inadequate, the Chief, JUSMG (Spain), may, when authorized by the Ambassador, make a survey of Spanish requirements for such equipment."

4. With reference to Enclosure 2 to the Department of State letter of 11 February 1952, [6] the Joint Chiefs of Staff agree that negotiations with Spain should be limited, at this time, to the acquisition of those facilities and services listed therein. In this connection, however, the Joint Chiefs of Staff desire to point out that Enclosure 2 to the Department of State letter does not constitute a complete statement of U.S. military requirements in Spain. U.S. military requirements in Spain remain as stated in subparagraph 3g of the memorandum by the Joint Chiefs of Staff for the Secretary of Defense dated 16 January 1952. [7]

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[5] The paragraph reads as follows: "If reports of the Service Attachés and other available information do not prove to be adequate, the Chief, JUSMG (Spain) may be authorized, after further consultation between State and Defense, to make a survey of Spanish requirements for military training equipment."

[6] Document 840.

[7] See Document 834. "Subparagraph 3g" of the Jan. 15 memorandum is summarized in paragraph 2 of that document.

5. Concerning the extent of the facilities and services required, the Joint Chiefs of Staff consider that those facilities and services shown in the Enclosure hereto, which have been arranged in order of priority to assist the Ambassador, are the minimum desired. With regard to the concern of the Department of State about the impact of such a program on the economy of Spain, it is to be noted that the Joint Chiefs of Staff propose to phase the military base construction over a period of three years.

6. In order to proceed with the expressed desires of both the Departments of State and Defense to undertake negotiations with Spain as early as possible, the Joint Chiefs of Staff propose that:

a. Representatives of the JUSMG participate informally, henceforth, in the activities of the Interdepartmental Working Group on Spain referred to in MAAC D-3. [8]

b. As soon as agreement has been reached upon the terms of reference for the JUSMG and the scope of negotiations, the JUSMG proceed to Spain, arriving just subsequent to the arrival of Ambassador MacVeagh.

7. With reference to the request by the Department of State for an estimate of the type of assistance which could appropriately be extended to the Spanish munitions industry, the Joint Chiefs of Staff will make available to the Service members of the Interdepartmental Working Group on Spain, appropriate information from the report by the Joint Military Survey Team (Spain) as the basis for discussion and planning by that group.

8. The views of the Joint Chiefs of Staff concerning the utilization of the $100,000,000 appropriated by Congress for economic, technical and military assistance to Spain were transmitted to you in their memorandum dated 15 February 1952. [9]

For the Joint Chiefs of Staff:

HOYT S. VANDENBERG

Chief of Staff, United States Air Force

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[8] For found in Department of State files.

[9] Not found in Department of State files; however, the views of the JCS were transmitted in a letter of Mar. 4 from Lovett to Acheson; see footnote 7, Document 840.

In a letter of Mar. 28 to Lovett, Matthews indicated that the Department of State concurred in all essential points with the recommendations made by the JCS in this memorandum. (752.5/2-1252)

Enclosure

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Lovett)

TOP SECRET [WASHINGTON, March 3, 1952.]

Facilities and Services Required in Spain

For use of the Ambassador during negotiations the following is a statement of facilities and services required in Spain. This statement is arranged to indicate, within each Service, the time-phased desirability of implementation of the program. No priority among Services is established.

1. *U.S. Army Requirements*

Rehabilitation of Spanish transportation system sufficient to support Navy and Air Force requirements indicated below.

2. *U.S. Navy Requirements*

a. Offloading dock and flyaway facility at Matagorda (Cadiz Area).

b. (1) Anchorage rights. (2) Use of port repair facilities on an emergency basis.

c. Modification of existing subterranean liquid fuel storage facilities.

d. Dehumidification of existing subterranean munitions storage facilities.

e. Advanced naval air base at Rota (Cadiz Area) and interconnecting facilities with Matagorda installation.

f. Utilization of amphibious training area.

3. *U.S. Air Force Requirements*

a. Facilities of equal priority for:

(1) 1 Strategic reconnaissance wing
(2) 4 Medium bombardment wings
(3) 1 Air depot
(4) 1 appropriate headquarters installation.

b. Facilities of equal priority for:

(1) 2 Medium bombardment wings
(2) 1 Fighter escort wing
(3) 2 Fighter interceptor wings.

No. 845

611.52/3-1252: Despatch

The First Secretary of Embassy in Spain (Anderson) to the Department of State [1]

CONFIDENTIAL MADRID, March 12, 1952.

No. 933

Ref: Embtel 934, March 4, 1952 [2]

Subject: Brief Comments on Spanish Foreign Minister's Interview With Assistant Secretary Perkins

Although copies of the memorandum of conversation describing the courtesy call of February 28 which Mr. George W. Perkins, Assistant Secretary of State for European Affairs, [3] paid on Spanish Foreign Minister Alberto Martin Artajo have already been forwarded to the Department and to our Embassy in Lisbon, there are several aspects of that conversation which are perhaps worthy of brief comment. For ready reference a copy of the memorandum is enclosed with the paragraphs therein numbered.

As a general comment, Artajo's summation of Spain's position at the present juncture, with particular reference to her relations with us (paragraph 3), was masterfully done and clearly showed his grasp and logical exposition of a complicated subject. The following additional points, it is believed, are worthy of note:

Lack of Desire to Join NATO

Artajo's statement that Spaniards have no desire to join NATO now is believed to reflect accurately the Government's attitude, which has perhaps not been well understood outside of Spain. While there has been a tendency to attribute this attitude to a "sour grapes" position—like that of a man who knows in advance that he will be blackballed by an exclusive club—we believe the Spanish Government sincerely lacks any desire to become involved in NATO. If a member, Spain would undoubtedly have to play second fiddle to such a despised power as France, a role for which she has no stomach. In contrast, Portugal has long and ardently desired Spain's NATO membership to fill the strategic vacuum between herself and the Pyrenees. We suspect that the Spanish have learned from their Portuguese friends about the complications and headaches involved in NATO membership.

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[1] A copy of this message was sent to Lisbon.

[2] Telegram 934 reported that the memorandum of conversation between Perkins and Martin Artajo had been sent by pouch on Mar. 3. (110.15 PE/3-452)

[3] Perkins visited Madrid on Feb. 27 and 28 following the Ninth Session of the North Atlantic Council in Lisbon, Feb. 21–26.

Change in Public Opinion Toward the United States

It is believed that what Artajo described as a recent change in Spanish "public opinion" toward the United States and "evidence of a growing lack of confidence in us and in our policy", reflects the feelings of elements within the Spanish Government rather than of public opinion. Artajo quite correctly mentions the consternation caused by the resignation of Ambassador Griffis, [4] to whom the regime undoubtedly looked for the rapid and generous implementation of our new policy. The regime, more than the masses, has been dismayed by the delays in undertaking negotiations and by the "offensive statements out of Washington"—obviously a reference to President Truman's remark of February 7. [5]

Artajo Playing "The American Card"

The Minister referred to his having "played the American card" and to having been constantly on the defensive before critics of his policy. To us this smacks of some rather stiff criticism in the inner circle of the Government, probably within the Cabinet itself. That Artajo has, in fact, tried to play down the Truman incident, is reflected by statements made during his press conference in London (See Embdes 854, February 21 [6]).

Difficulty of Explaining Ambassador Griffis' Resignation

We believe the Minister was correct in saying that it was difficult to make the people believe Ambassador Griffis had resigned for purely personal reasons (paragraph 5). Although some key officials in the Government undoubtedly knew in advance of the Ambassador's plan, the resignation came as a shock and surprise to many Spaniards, who believed that a serious hitch had developed in the United States plans for negotiating with the Franco regime and that the Ambassador was being removed by the United States Government for a definite purpose.

Artajo's Version of Spain's Urgent Needs

The Minister's rather modest presentation of Spain's urgent needs (paragraph 6) was the most interesting aspect of the interview. In view of the exaggerations fostered by the press in both countries during past months, it was heartening to learn of the sweet reasonableness of his statement, which we hope reflects the

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[4] Griffis' resignation was accepted by President Truman on Jan. 21; the Ambassador relinquished charge of the Embassy on Jan. 28.

[5] See Document 839.

[6] Despatch 854 reported that Martín Artajo, in London for the funeral of King George VI, had described the Truman remark (see *ibid.*) as having been "overplayed." (752.00(W)/2–2152)

Government's thinking at the present time and which, fortunately, appears to coincide very closely with our own.

For the Chargé d'Affaires, a.i.:
DANIEL V. ANDERSON

Enclosure

Memorandum of Conversation [7]

CONFIDENTIAL MADRID, February 29, 1952.

Participants: Excmo. Sr. D. Alberto Martin Artajo, Minister of Foreign Affairs;
Mr. George W. Perkins, Assistant Secretary of State for European Affairs;
Mr. John Wesley Jones, Chargé d'Affaires, a. i.;
Excmo. Sr. D. Pedro de Prat y Soutzo, Marqués de Prat, Director of the American Section, Ministry of Foreign Affairs.

1) Mr. Perkins made a courtesy call on the Spanish Foreign Minister at 7:30 last evening. Mr. Jones accompanied him to the Foreign Ministry and was present during the interview. The Marqués de Prat acted as interpreter.

2) The Minister opened the conversation by stating that he was at Mr. Perkins' disposition for any questions the latter might have on Spain or Spanish policy, particularly with respect to the defense of Europe. Mr. Perkins replied that he had not come to Spain with any mission or with any message; that he had wanted to call on the Foreign Minister to pay his respects and to have the pleasure of meeting and of knowing him. The Minister said that nevertheless if Mr. Perkins would permit, he would like to outline briefly for him the Spanish position. Mr. Perkins replied that this would be very helpful and that he would of course be interested in whatever the Minister would have to say.

3) The Minister's summation was more or less as follows:

Spain is an anti-communist country; the temper of the Spanish people is anti-communist. A war has been fought on this question within Spain and the anti-communist forces were victorious. There can hence be no question as to where Spain stands in the present international struggle. Spain will not shirk her duty in the anti-communist struggle since the present situation is entirely too grave to be concerned with other less important considerations. Spain has a strategic position at the mouth of the Mediterranean which is

[7] Presumably drafted by Jones.

just as important to the defense of Europe as Greece and Turkey at the other end of the Mediterranean Sea. Spanish soldiers are brave, hardy and dependable but they lack equipment. When Admiral Sherman was in Madrid last summer, the Caudillo had readily given an affirmative reply to send (1) a military survey team; and (2) subsequently a negotiating team to develop certain military facilities in Spain for the defense of Europe. The Generalissimo had, however, pointed out the need for economic assistance to and strengthening of Spain in connection with any responsibilities of a belligerent nature which she might have to assume. There were two things that Spain needed to contribute effectively to Europe's defense: (a) a strengthening of the Spanish economic position to permit Spain to support a prospective war-time economy; (b) arms and ammunition for her fighting army. Both American survey teams, military and economic, had received the greatest cooperation and help from Spanish officials and they had gone away with very complete information on Spain in both fields. While Spaniards had never asked to join NATO nor did they have any desire to join it now, they did feel that they could make an effective contribution to the defense of Europe by direct agreement with the U.S.A. Recently, however, Spanish public opinion toward the U.S. had changed and there had been evidence of a growing lack of confidence in us and in our policy. The reasons, he thought, for this were: (a) the resignation of Ambassador Griffis before his job was completed; (b) the inexplicable delays in undertaking negotiations for military and economic agreements; and (c) recent offensive statements out of Washington by highly placed personalities.

4) The Minister added that he was an optimist; that he had based his foreign policy on *rapprochement* and close relations with the U.S.A., that he had "played the American card", that in these last few weeks he had been constantly on the defensive before critics of his policy which he referred to as "public opinion" but which undoubtedly meant elements within the Spanish Government opposed to close relations with the U.S.A.

5) Mr. Perkins asked if he could comment on one or two of the points in the Minister's review. The Assistant Secretary said that Ambassador Griffis had resigned purely for personal reasons, ill health and private business interests which were incompatible with his continuing to hold public office. The Minister admitted that he knew this to be the fact but said that it was difficult to make the public believe it. Mr. Perkins reminded the Foreign Minister that this would be an unusual year in the U.S., that it was an election year and that local political problems would loom large and sometimes be overwhelming in relation to foreign policy problems. He said that because of the rearmament program in Britain and France, those two countries were in desperate economic straits and we were seeking ways and means to help them economically again this year. He referred to the costly war in French Indo-China and

the need for greater American help there. He explained the original fear of the NATO countries, when an integrated European army was first discussed, that the British would abandon Europe and withdraw to the British Isles to defend themselves and that U.S. forces would withdraw behind the Pyrenees. The NATO countries now have greater confidence in themselves and their organization but are still concerned that any priority interest in Spain would mean a denial of the real meaning of NATO to defend Europe at the point of attack rather than to liberate it subsequently.

6) The Minister said that Spain was in no great hurry for great quantities of arms and armaments; that the most urgent needs were (1) economic assistance which could be granted in fields that would assist both military plans and civilian economy, such as railroads, highways, airports, and (2) a limited amount of training equipment for the Spanish Army. The Minister asked if the new teams that were being formed in the U.S. to come to Spain with Ambassador MacVeagh would have definite instructions to negotiate or if their terms of reference were such that they would have to waste time in further investigation and study. Mr. Perkins replied that he believed both to be the case; that the negotiating teams would have specific instructions to negotiate and that those were presently being drawn up in Washington but that there might be various alternative considerations which would require further on-the-spot study. He said that he was unable to predict how soon agreement would be reached in Washington on the various terms of reference and that in any event, he did not wish to make any statement which might prejudice Ambassador MacVeagh's forthcoming mission; that we would have to wait and see what instructions Mr. MacVeagh brought with him when he arrived in the latter part of March.

7) The forty-minute interview ended in the usual exchange of pleasantries and best wishes.

No. 846

ECA–MSA–FOA files, lot W–13, "DMS Documents"

Interdepartmental Policy Statement on Spanish Aid Negotiations [1]

TOP SECRET [WASHINGTON, March 20, 1952.]
[DMS D–7]

SPANISH AID NEGOTIATIONS

INTRODUCTION

1. On March 4, 1952, the Mutual Assistance Advisory Committee [2] adopted a program for the use of the $100 million appropriated in 1951 for military, economic, and technical assistance to Spain. This program is based on three principle assumptions: (1) the unexpended balance of the $100 million appropriation will be carried over to FY 1953; (2) there will be no additional Spanish aid program for that year; and (3) the primary objective of US policy toward Spain at this time is to obtain rights for US use of Spanish air and naval bases and related logistic facilities.

2. The $100 million aid program has been developed to support the achievement of military requirements in Spain as established by the Department of Defense. The aid program, while coordinated with the U.S. military requirements in Spain, at the same time provides economic, military, and technical assistance to Spain in accordance with the provisions of MSP legislation.

3. The estimated construction cost of the desired U.S. military bases totals approximately $390 million. (This is exclusive of requirements for rehabilitation of Spanish railroads—estimated at $15 million.) This cost is spread evenly over a three-year period at an annual estimated expenditure of $130 million. Past experience indicates that the program will require, in each year, 40% US dollar expenditures and 60% local currency (pesetas), or $52 million and $78 million in peseta equivalent.

4. In accordance with the MAAC decision of February 2, 1952, (D–3/1 of February 4, 1952 [3]) the $52 million in direct dollar costs of military requirements for FY 1953 will be supplied from Defense Department funds. The MAAC finding was as follows:

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[1] This document was circulated under a cover memorandum by Sheppard, dated Mar. 20, and designated DMS D–7. For the background of this paper, see Document 843.

[2] The minutes of this session, designated MAAC M–16 and dated Mar. 13, are in Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations".

[3] Document 837.

"It would not be appropriate for MSP funds to be used to finance directly dollar expenditures for the construction of military facilities to meet US requirements in Spain. This is based on the view that expenditures of MSP appropriated funds for this purpose do not appear to constitute assistance to Spain within the terms of the Mutual Security Appropriations Act."

5. The program for the use of the $100 million appropriation will produce sufficient counterpart funds to cover the required $78 million in peseta equivalent in FY 1953. The MAAC finding of February 2, 1952, in this connection was as follows:

"It would be appropriate for counterpart funds, generated through the purchase of dollar commodities for the Spanish economy, to be used for the construction of military facilities in Spain, even if for exclusive use by US forces."

PROGRAM

6. The program for the use of the $100 million, as adopted by MAAC on March 4 for negotiating purposes, is as follows:

Item	*Dollar-Financed Imports ($ millions)*
a. Military end-items for training purposes	12
b. U.S. Army requirements for railroad rehabilitation through FY 1953 *	15
c. Development of Spanish munitions industry*	5
d. Investment projects for development of Spanish economy including development of strategic materials production	17
e. Commodities provided to offset inflationary impact of $100 million equivalent in peseta investment	50
f. Technical Assistance	1
	100

* The negotiators should emphasize that these items can be considered as defense assistance. [Footnote in the source text.]

(In addition, $52 million for the dollar costs of military construction through FY 1953)

7. The above program provides for military assistance in the amount of $12 million, economic assistance in the amount of $87 million, and technical assistance in the amount of $1 million. As in current MSA practice, the Spanish Government will be required to deposit peseta counterpart against economic and technical assistance (although some or all of the counterpart required against

technical assistance might be waived) in the amount of $88 million. Because of time lags in the deposit of peseta counterpart funds against economic aid provided to Spain, it will probably be necessary, in order to accommodate the military construction schedule, to arrange for advance deposit of counterpart by the Spanish Government.

8. Item (e) requires special comment. It provides $50 million in dollar commodities calculated to offset the internal inflationary impact peseta expenditures in connection with the aid and military programs. It is estimated that items (c) and (d), which provide a total of $22 million for investment imports, will also give rise to internal peseta investment requirements of approximately equal magnitude, (i.e., $22 million peseta equivalent). (Conversely, it is assumed that item (b), railroad rehabilitation, will not give rise to any additional peseta expenditures, based on an estimate that sufficient shop facilities and manpower are already available for this program.) Also $78 million in peseta equivalent is to be used for military investment, thus bringing the total peseta investment expenditures in connection with aid and military programs to $100 million peseta equivalent. It is estimated that $50 million of imported commodities which will directly and indirectly increase the supply of goods available to Spanish consumers will be sufficient to offset this inflationary impact, taking into account increases in Spanish indigenous production.

9. Since the program makes provision for increased supplies of goods calculated to offset the impact of peseta spending incident to the combined aid and military programs, it can be said to be noninflationary and to impose no additional burden on the Spanish economy as a result of U.S. military objectives.

10. Although the above program provides for development of Spanish strategic materials, it is planned that the direct cost of development of sound projects, where U.S. acquisition of the material to meet current requirements is involved, will be financed by the Defense Materials Procurement Administration out of Defense Production Act funds. Investment for other raw materials projects will be financed as a priority program under item (d).

11. It should be noted that this program does not take into account a possible loan component. It is not yet clear whether the 10% loan requirement of Section 522 of the Mutual Security Act of 1951 will apply. [4] If there is to be a loan component of economic

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[4] Mutual Security Act of 1951, P.L. 82-165 (65 Stat. 373), Oct. 10, 1951, Section 522 amended Section 111(c) of the Economic Cooperation Act of 1948 as follows:

"Of the assistance provided under the applicable provisions of this Act with funds made available under the authority of the Mutual Security Act of 1951, as great an

Continued

aid to Spain this may necessitate some changes in the above program.

12. The problem of determining what rate(s) of exchange will be sought on which counterpart is to be deposited is at present under consideration. Because of the complexity of the Spanish multiple exchange rates system this problem is a significant one and will require considerable study.

NEGOTIATION

13. The foregoing program for the use of the $100 million is considered to be the most desirable from the point of view of U.S. objectives and every effort should be made to obtain Spanish agreement to it. In particular, it should be a primary objective of the aid negotiations to obtain the Spanish Government's agreement to make available $78 million of peseta counterpart to finance the peseta cost of U.S. military construction requirements through FY 1953.

14. The Embassy in Madrid has stated its belief that the Spanish Government would find the use of counterpart funds to finance U.S. military requirements in Spain entirely unacceptable. The Spanish view may be that this has not been U.S. policy toward the other European countries which have applied counterpart funds to the improvement of their own economies.

15. If Spanish officials take this position, it should be emphasized that use of counterpart for the benefit of European civilian economies, while an integral part of the European Recovery Program, has now been superseded. It is the objective of the Mutual Security Act of 1951 to make maximum use of counterpart to support increased defense efforts (e.g., Sections 502, 523(3)). While recognizing that Spain is not a member of NATO, the program of aid to Spain, within the framework of the Mutual Security Program, is calculated to accomplish specific bilateral military objectives in support of the common defense of Europe, including Spain. Military facilities for joint use and joint benefit are to be constructed. While we are not asking, at this time, for an increase in Spain's own defense effort, the use of these facilities by the U.S. and the use of counterpart for their construction are directly comparable to the efforts being made by other European aid recipients to strengthen common defense of the West.

16. If it proves impossible, in the course of negotiations, to reach agreement on the use of $78 million peseta counterpart for the military construction program, the Spanish Government may be in-

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amount (in no event less than 10 per centum) as possible shall be provided on credit terms."

formed that a somewhat lower figure will be recommended to Washington. For the information of the negotiators, probably the minimum figure which would be acceptable in Washington would be in the neighborhood of $50 million equivalent.

17. If a figure lower than the $78 million peseta equivalent is agreed upon, there must necessarily be a reduction in the size of the FY 1953 U.S. military construction program and/or additional use of Defense Department funds (beyond the $52 million already programmed) to finance peseta expenditures.

18. A reduction in the $78 million counterpart contribution might also necessitate some changes in the programming of the $100 million.

19. Difficulty may also arise as to proposed programming of the $100 million in terms of general categories of imports. The proposed division is to some extent flexible, although there should be no departure from the concept of programming so as to avoid any additional inflationary impact on the Spanish economy. Proposals for changes in the dollar division should, of course, be referred to Washington.

No. 847

752.5 MSP/4-152: Despatch

The Ambassador in Spain (MacVeagh) to the Department of State

SECRET MADRID, April 1, 1952.

No. 1016

Reference: Embtel 1039, March 31, 1952 [1]

Subject: Conversation with Spanish Foreign Minister on Forthcoming Negotiations, March 31, 1952

Immediately after presenting my credentials to the Spanish Chief of State, General Franco, on the afternoon of Thursday, March 27, [2] I sought an interview with Señor Alberto Martin Artajo, the Foreign Minister, for the purpose of discussing with him our forthcoming military and economic negotiations. He fixed the following Monday, March 31, at 7:30 p. m., this being his usual time for receiving foreign representatives. He said that on Friday he would be busy with the weekly cabinet meeting, and indicated

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[1] Telegram 1039 noted that Artajo wished to speak with Franco before assenting to MacVeagh's request for permission to summon the American negotiators. (752.5 MSP/3-3152)

[2] A very brief account of the presentation ceremonies is in despatch 999 from Madrid, Mar. 28. (752.00(W)/3-2852)

that neither Saturday nor Sunday would suit his personal convenience.

I duly reported at the Foreign Office at the time mentioned, and was kept waiting only briefly while the Minister completed a conversation with the British Ambassador. My own talk with the Minister (which was carried on in French with no other person present) then began on a very friendly note, the Minister saying that General Franco had been especially pleased with his conversation with me following the presentation of my credentials, and that both the General and he felt I was someone they would enjoy working with. I thanked the Minister for his kind words and then explained to him that I had sought this meeting especially to find out when it would suit his convenience for me to call forward the military and economic negotiating teams whose names had already been communicated to his Government. I expressed my Government's appreciation of the help which had been given here to the exploratory missions under General Spry and Dr. Sufrin, and said that the reports rendered by those missions had been carefully studied in Washington and that definite proposals for possible agreements with the Spanish Government had now been finally drawn up, the time consumed in reaching this result being due to the number of departments and agencies which were interested. I said the teams referred to were now ready to bring these proposals here for discussion with the appropriate Spanish authorities, but that I did not wish to call them forward without his permission, in view of the inevitable publicity which would be attached to their arrival. He seemed pleased by this evidence of consideration, and replied that he would be glad to have the teams come foward as soon as possible, but that he felt he should first report to General Franco. He said he could see no reason why there should be any further delay, and that he thought it was in the common interest that we should get started promptly, but that both he and the General had imagined that I was bringing the proposals here with me. I explained that these had not been quite ready when I left Washington, and that the Department had wished me not to put off my departure since the proposals would certainly be ready by the time I could present my credentials. I said I had been advised that General Kissner, now in Germany, where he is waiting to hear from me, has them in his hands and that he will bring them with him when he flies down. I then informed the Minister of exactly where all the members of our teams now find themselves, and of my confidence in their getting here promptly once he should give me the word to summon them. He said he hoped to be able to give me this word the next day or shortly thereafter, indicating that it would depend on when he could see General Franco and get his concur-

rence, and added that in any case no date for the actual commencement of discussions could be fixed before the next cabinet meeting on Friday, April 4. He asked whether it was my idea that the discussions should begin on the team level rather than the governmental, and I said I thought this would be advisable in view of the many technical matters involved. He said that this was also his own idea, and added that he would be absent on his forthcoming Eastern tour until the end of April, but hoped that by his return considerable progress would have been made by the experts. I then reminded him that though our teams might initiate the negotiations with their Spanish counterparts and would be competent to carry them forward on the technical level, they would be under the Embassy's supervision and to begin with would need to be properly introduced here under the aegis of the Foreign Office. Accordingly, I asked him if he would be so kind as to tell me who in the Ministry would be the Embassy's special contact in connection with the negotiations. He expressed himself as pleased with my desire to insure introductions in the proper form, and at first named several officials to whom we might refer: the Under Secretary of Foreign Affairs, Emilio Navasques y Ruiz de Velasco; the Director General, Mariano de Yturralde y Orbegoso, and the new Director of the American Section, Juan Bárcenas y de la Huerta. When I asked him to name one individual, he said Señor Yturralde should be our principal contact, but Señor Bárcenas would handle minor questions.

After these matters had been disposed of, the Minister settled back in his chair and said he would like to talk with me in friendly and informal fashion on some basic questions. He recalled that in the past two World Wars Spain had remained neutral. However, a war precipitated by Soviet aggression against the West would be a different thing, an ideological affair threatening the very existence of our civilization. This, he said, meant that all who share in that civilization must be ready to fight in its defense, and constitutes the reason for the collaboration which Spain is willing to consider with the United States. I asked him whether Spain would enter such a war immediately, or would try to remain neutral for as long as possible at the outset, and he replied that he was unable to answer that specific question, but that in general the course Spain would have to pursue was logically clear and she must be prepared to take it, her efforts in preparation being part of a common effort toward a common end. He then went on to say that the idea had been expressed in America, "chiefly in the press," that the United States might "lease or purchase" Spanish bases for its own use. Such an idea, he said, was quite impossible, and Spain would never agree to it. "We are proud, perhaps too proud, but that is the way

we are." The only manner, he said, in which Spanish bases could be developed and used by others would be jointly with the Spanish. He then turned to economic matters and said that to support adequate military preparation here would require a very large and long-term program of assistance. He implied that the 100 million dollars of American aid which have been voted for Spain are a mere drop in the bucket compared with actual needs, and mentioned the huge sums which the United States has given to France. To this I replied by pointing out the difference between the Marshall Plan for European reconstruction, which has now terminated, and the new MSA program, which specifically relates economic assistance to the defense effort. I admitted that many economic factors affect a country's military potential, but said we must tackle first things first with the means at our disposal, and I described in general terms our idea of dividing the hundred million dollars percentagewise between the development of the bases and related military projects, on the one hand, and general economic assistance in the form of increased imports of consumer goods to prevent inflation on the other. He said he was no economist, but that he felt we could spend much more than 100 million dollars here without having any serious effect on prices. "The soil of the Spanish economy is so dry that it would take torrents of financial assistance to wet it." I said that there was no telling what we might be able to do for Spain at any future date. I pointed out that there are national elections coming up in the United States, and that making guesses as to executive and congressional action thereafter would be futile. But I thought that in the present hundred million dollars we had something in hand which not only could be used constructively now in the interests of both countries, but could also provide a sound basis for further developments should these be desired and feasible. I reminded him of the great strides which have been made in the past couple of years in improving Hispano-American relations and said I hoped we were now only at the beginning of our collaboration.

After some further conversation, in which I informed the Minister, to his expressed satisfaction, that I do not intend to hold personal press conferences in this country and that I have told the American correspondents that I could only refer them to the Foreign Office in connection with any questions they might ask me in regard to the progress of our negotiations, I took my leave, the Minister again assuring me that he would let me know promptly about calling our teams forward.

Comment: From this first talk with the Foreign Minister, I believe that, with sufficient tact and patience on our part, the psychological atmosphere surrounding the forthcoming negotiations may

be kept satisfactory on the government level. Our negotiating teams, however, will equally have to show great tact and patience if they are not to run into insuperable obstacles in their technical discussions. They are not likely to find their Spanish opposite numbers any less sensitive than the Foreign Minister and will have very carefully to keep out of their talks, as well as out of the documents which they table, anything which could appear to infringe Spanish sovereignty or be offensive to Spanish pride. They will also certainly have to face here considerable periods of inaction, a test of this kind being likely to arise at once, since our proposals are being put forward just before the beginning of the Easter holiday season, and the Spanish negotiators will probably need some time to digest proposals which it has taken us months to produce. On substantive matters, it would appear that the two sides will begin their talks, especially as regards economic aspects, almost poles apart. Finally, the Minister's remarks about Spanish neutrality in the case of war with Russia may be found of some interest. It will be noted that I took advantage of his voluntarily introducing this subject to ask him directly whether Spain would fight in such a war at the drop of the hat, and that he pleaded inability to answer except by reference to the "logic" of the situation. By this I would suppose him to mean that a few days of neutrality could be of no value to Spain in a conflict to which she was inevitably committed ideologically, provided always that she were properly prepared to fight, which is what she hopes we will help her to be. This question is of course a critical one especially for our Air Force which will not want to be impeded by Spanish neutrality, even for a moment, in launching its planes from Spanish fields, but it may be doubted whether any more definite answer than the above can be obtained here officially.

LINCOLN MACVEAGH

No. 848

Editorial Note

On April 4, the Joint United States Military Group, under the leadership of Major General August W. Kissner, USAF, and including Major General Garvin Crump, USA, Captain H. B. Sanchez, USN, and Colonel Jack Roberts, USAF, arrived in Madrid. The Mutual Security Agency Economic Group, with George F. Train as chief and Hubert Curry, Rifat Tirana, N. Carter DePaul, and Ivan B. White as members, arrived April 13. The talks which the two groups began on April 7 and April 17, respectively, were of a pre-

liminary nature, directed toward eliciting from the Spanish a sense of what the United States would have to pay, in military, economic, and political terms, in order to acquire the base rights. (See Document 870.) On both the military and economic sides, the negotiators were subordinated to the authority of the Embassy in Spain, and all reports from the groups were to be transmitted to Washington through the Embassy, using the series indicator "USNEG" to identify the messages as pertaining to the negotiations. The reports, the most important of which are documented below, are in file 711.56352.

No. 849

711.56352/4-1852: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET MADRID, April 18, 1952—10 a. m.

1104. USNEG. Kissner had third mtg with Vigon Apr 16. [2] His résumé of conversation fols:

"I handed Vigon and two staff officers copies informal memo [3] containing in gen terms US mil requirements and info designed to answer Vigon's questions 8 Apr mtg. Vigon and officers appeared generally satisfied contents memo and appeared understand ref therein that mil aid is annual Congress appropriations matter and outside province of mil group. Vigon asked whether we had improvement specific installations in Spain in mind. I replied we prepared recommend such installations for joint agreement. I mentioned no particular installations. Vigon asked whether ref in memo to mil aid training items provided such for Span Navy which particularly needs electronics and communications equipment and training in use. I replied that in my recommendation to Wash on Span requests for particular items, training requirements all Span services wld be considered. Vigon apparently satisfied.

I stated that outline US requirements shown in memo envisaged three-year implementation period. Vigon indicated three years perhaps too late as emergency that may break, will occur sooner. I replied any construction progress made in implementation base agreement wld be particularly valuable. In two years we cld expect 2/3rds facilities completed. Vigon understood apparently satisfied.

[1] Repeated to Paris and Rome.

[2] The first and second meetings, both introductory, were held on Apr. 7 and 8. The reports submitted by Kissner concerning them, contrary to instructions, were not sent in the "USNEG" series, but rather in telegrams Jusmg 5, Apr. 9, and Jusmg 6, Apr. 10, from Madrid to the Department of the Army. (752.5/4-952 and 752.5/4-1052)

[3] *Infra.*

Vigon indicated satis and pleasure with memo and stated wld clear info therein with Franco, who plans mtg of Natl Def Council Sat or Mon, following which Vigon wld have some written answers for me. Vigon stated he wished my consideration fact unfavorable comment abroad and some adverse opinion within Spain wld ensue from presence bombardment and fighter units in Spain. I replied our requirements did not contemplate peacetime stationing full complement info facilities. US wld wish rotate such units thru installations for two or three months duty to train realistically. Permanent care-taking detachment wld approximate 500 per base. Vigon understood readily appeared satisfied.

Vigon referred to his statement to Spry [4] regarding joint rather than exclusive use of bases. He said arrangements should contemplate Span commander for areas but we cld use all facilities therein and have operational control our forces. I replied we wld bear that in mind. Our specific requirement was operational control our units and equipment. Vigon stated he and Spry discussed use Span forces to occupy Medit island bases in war. [5] Upon my reply that this item became dormant since Spry's visit but I wld seek further info if he wished. Vigon said he understood and we cld postpone question.

Vigon referred to pending Ital elections and serious sitn to US shld Commies win some communities, and asked if US planned action. I stated I had no current info. Vigon stated his source, two retired Ital gens in Madrid who cld be sent Italy for further info. I stated our MA cld discuss this with Itals and I cld inform Carney if serious. Vigon said no, wait until return of Itals from Italy when he wld further inform me personally. Vigon regretted negots delay about one week for council decision after which we cld expect rapid progress. He stated meanwhile I had complete freedom to go throughout Spain and suggested I visit installations at my pleasure. I replied I wld so visit to become familiar personally various installations but not make surveys."

Copy memo left with Vigon and full memo Kissner–Vigon conversation [6] fols airmail.

Natl Def Council (Junta de Defense Nacional) to which Vigon referred meets rarely (see Embdes 999, Mar 2 [*28*] [7]) and is top mil policymaking body in Spain. It is chairmanned by Franco and includes three Def Mins, three chiefs of staff and chief of high gen staff.

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[4] Reference is to a letter of Aug. 30, 1951, from Vigon to Spry, transmitted from Madrid as Appendix 2, Annex G, Enclosure 1 of despatch 425, Nov. 2, 1951. (752.5/11-251)

[5] The discussion under reference was reflected in a memorandum from Spry to Griffis, Sept. 29, 1951, transmitted from Madrid as Appendix 14, Annex G, Enclosure 1 of despatch 425, Nov. 2, 1951. (752.5/11-251)

[6] Transmitted from Madrid as Enclosure 2 of despatch 1067, Apr. 21. (711.56352/4-2152)

[7] Despatch 999 reported on all political events of significance during the preceding week. (752.00(W)/3-2852)

They will undoubtedly discuss recent Franco-Salazar mtg (Embtel 1090, April 15 [8]) as well as establish policy lines for mil negots with US.

MACVEAGH

[8] Telegram 1090 reported that Franco had met Salazar on Apr. 14. (652.53/4–1552)

No. 850

711.56352/4–2152

Memorandum by the Chief of the Joint United States Military Group in Spain (Kissner) to the Chief of the Spanish Military Negotiating Team (Vigon) [1]

SECRET MADRID, April 16, 1952.

The findings made by General Spry, coupled with the receptive attitude and splendid cooperation of the Spanish authorities, have led the United States to seek from Spain authorization to develop, equip, man and utilize certain military facilities in Spain for the use of United States forces.

These facilities would be used in furtherance of the announced policy of the United States to contribute to the maintenance of international peace and mutual defense. In order that the United States may contribute effectively, advance preparation for individual and cooperative defense becomes requisite. Arrangements to develop and maintain in constant readiness military facilities in Spain will facilitate employment of United States strategic air and naval power in support of those forces in Western Europe resisting aggression.

With reference to the base agreement which we discussed in general terms on the 8th of April, [2] I should like to initiate negotiations at the military level to permit early development, equipping, manning and utilization of mutually agreed-upon facilities in Spain.

During our previous discussion, you asked me to elaborate on the subject of the integration of the Spanish forces into the Western European defense scheme. I am not authorized to respond to your query in detail except to reiterate that the use of the proposed bases in Spain by United States forces is intended primarily to

[1] Transmitted from Madrid as Enclosure 1 to despatch 1067, Apr. 21, repeated to Paris and Rome.

[2] The conversation under reference was reported by Kissner in telegram Jusmg 6, Apr. 10, from Madrid to the Department of the Army. (752.5/4–1052)

assist in carrying out the defense of Western Europe. Any strengthening of the defense of Western Europe would result materially in more security for Spain, and we can logically assume that it would be to the mutual benefit of both our countries that this be done.

The next question upon which you asked me to elaborate is the question of supply and equipment for Spanish military forces. I am familiar with your views on this subject as expressed both to me and to General Spry. I am assuming that you are familiar with the fact that our Congress has appropriated one hundred million dollars for economic, technical and military assistance to Spain. The breakdown of this fund is a proper subject for the economic negotiating team, but it is intended that a portion of the fund be allocated for military training equipment. Naturally, in the selection of this equipment, the desires and wishes of your staff will be given full consideration. I am presuming again that you are familiar with the fact that military aid to nations in Europe is dependent upon annual appropriations of our Congress. For that reason, it is not possible to state what the appropriations in future years may be. However, it would appear fair to assume that should we negotiate an agreement for the use of military bases in Spain by the United States, our Congress would desire that these bases be properly safeguarded by forces which would require such items as antiaircraft weapons, early warning systems, and communications facilities. Since a portion of the responsibility therefor will naturally rest upon the Spanish forces, we would hope that the indigenous production of Spain would increase to the extent required by those forces.

I am authorized to analyze and make recommendations on Spanish requests for military training equipment, and to continue the reciprocal exchange of information with Spanish military officials, as well as to furnish such appropriate technical advice that may be requested by the Spanish military authorities.

U.S. Military Facilities and Services Desired in Spain

1. For planning purposes, approved U.S. military requirements in Spain, stated in broad terms, include:

a. Early development of U.S. Air Force airbase complexes to permit some peacetime rotation and an eventual wartime deployment of six (6) medium bomb wings, one (1) strategic reconnaissance wing, one (1) fighter escort wing, two (2) fighter interceptor wings and supporting units.

b. Early development of a Navy aircraft off-loading dock with fly-away runway and a nearby Navy advanced airbase capable of supporting carrier air, marine air, anti-submarine warfare, reconnaissance and fleet logistic air wing operations to include peacetime rotation and a possible eventual wartime deployment.

c. Anchorage rights and utilization of port repair facilities.
d. Utilization of existing subterranean storage facilities.
e. Development of an Air Defense system adequate for U.S. installations.
f. Necessary improvement of Spanish air, maritime, and logistic facilities related to the above requirements.
g. Implementation of all U.S. Army responsibilities related to the above requirements.
h. Development, equipping, manning, and utilization of facilities as required for any projected U.S. army operations.
i. Development of Spanish military potential to the maximum degree possible within existing U.S. limitations, in order to support the above requirements and to aid in the defense of Western Europe.
j. Utilization of an amphibious training area.
k. Such additional facilities as may be necessitated because of developments in negotiations with other countries.

[Here follows a more detailed discussion of military facilities desired in Spain by the United States.]

No. 851

752.5 MSP/4-2452

The Chief of the Mutual Security Agency Economic Group in Spain (Train) to the Spanish Economic Aid Negotiating Delegation [1]

CONFIDENTIAL MADRID, April 19, 1952.

AIDE-MÉMOIRE

To provide a framework for discussions between the Spanish Government and the Government of the United States, the following description of the legal authority under which United States assistance can be made available, and exposition of the views of the United States Government concerning the use of that assistance, may be helpful.

1. Assistance to Spain was provided for in the Mutual Security Appropriations Act, 1952 in the following language:

"For expenses necessary to enable the President to carry out the provisions of the Mutual Security Act of 1951 . . . [2]

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[1] This *aide-mémoire*, handed to the Spanish negotiating team on Apr. 19, was transmitted as Enclosure 1 to despatch 1079 from Madrid, Apr. 24. Based on the official U.S. negotiating position (Document 846), its drafting and presentation were agreed upon during discussions in Madrid between Train, MacVeagh, Jones, and White on Apr. 15. An outline for the *aide-memoire*, dated Apr. 16, is in Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations".

[2] Ellipsis in the source text.

"For economic, technical, and military assistance, in the discretion of the President under the general objectives set forth in the declaration of policy contained in the titles of the Economic Cooperation Act of 1948 and the Mutual Security Act of 1951, for Spain, $100,000,000."

The Mutual Security Act of 1951 provides:

"The Congress declares it to be the purpose of this Act to maintain the security and to promote the foreign policy of the United States by authorizing military, economic and technical assistance to friendly countries to strengthen the mutual security and individual and collective defenses of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States and to facilitate the effective participation of those countries in the United Nations system for collective security."

It is important to note that assistance to Spain is provided to carry out the provisions of the Mutual Security Act. It is therefore part of the Mutual Security Program for the building of a strong defense against aggression through both military and economic assistance to friendly nations. This economic aid is furnished to all countries participating in the Mutual Security Program in support of defense objectives. It is not furnished for the same primary objectives as was the economic aid made available under the European Recovery Program.

The legislation cited above will serve to explain why the Government of the United States desires that the current discussion of economic aid to Spain be directly related to, and progress in pace with, discussions with respect to military cooperation.

2. Since it is unlikely that any significant amount of the $100 million appropriation for economic, technical and military aid to Spain can be used during the remainder of the fiscal year 1951/52, Mutual Security legislation now before Congress contains the request that all unexpended balances be made available for assistance to Spain for the fiscal year 1952/53 under the same conditions as those quoted above from the Mutual Security Appropriations Act, 1952.

3. The $100 million appropriation for Spain has been divided into two categories:

(a) $12 million for military assistance in the form of items of military equipment for the Spanish Military Services, largely for training purposes, the selection of which can be worked out with the U.S. Military Group;

(b) $88 million for economic and technical assistance to be used in part for financing the purchase of imported equipment for the development of industries which are closely related to the support of defense objectives, e.g., the Spanish munitions industry and the

rehabilitation of the Spanish transportation system so as to enable it to support military operations.

4. Allocation of $12 million for military training equipment and furnishing of this equipment to Spain will require a Mutual Defense Assistance Agreement between the Government of the United States and the Government of Spain. This Mutual Defense Assistance Agreement will be separate and distinct from any agreement regarding construction and use of military facilities in Spain which the U.S. Military Group is discussing with the Spanish Military Services.

The furnishing of economic and technical assistance will require a separate agreement between the two Governments.

5. The funds for military assistance to the Spanish Military Services will be made available on a grant basis.

The funds for economic assistance to Spain will be made available largely on a grant basis. However, the Mutual Security Act of 1951 requires that a minimum of 10% of all economic aid for the fiscal year 1951/52 be in the form of loans. Aid to most European countries this year has been approximately 16% loans and 84% grants, since all countries were not required to participate equally in the distribution of the loans. It is not known at this time what percentage of funds appropriated for 1952/53 Congress will require to be made available as loans. Any mandatory loan requirement which the Congress of the United States may make will probably be applied to economic aid to Spain, as well as to other European nations.

6. The Government of the United States hopes to achieve the closest collaboration with the Government of Spain in working out a plan for the utilization of the $88,000,000 available for economic and technical assistance. The Government of Spain is invited to present its own plan as to how this assistance can best be used to achieve our mutual objectives. While the views of the United States Government on this subject will be developed further in joint discussion, it may be mutually advantageous to set forth certain of them now. They include the following:

a. Because of its concern about the problem of internal financial stability in all countries receiving United States assistance and its conviction that inflation in Spain would be highly prejudicial to the establishment of a sound economy, the United States Government is anxious that the Spanish Government's plan for the utilization of economic assistance include an appropriate division of total economic aid between financing of items of equipment for investment projects and financing the import of commodities, which either directly or indirectly, will result in an increase, within a reasonably short time, in availability of consumer goods in Spain commensu-

rate with the increased purchasing power of individuals which will result from combined military and civilian investment spending.

b. It would be helpful if the Spanish Government's plan for the use of economic assistance would include provision for the selection of investment projects on the basis of sound criteria which are related to the needs of the Spanish economy and which provide a means for judging relative priorities of various projects. Such criteria should include emphasis upon the selection of those projects which promise the greatest return, in terms of increased production, in the shortest possible time. It is hoped that further discussions can be held for the development of such criteria by mutual agreement.

Economic requirements for financing by the Mutual Security Agency in the first year of the assistance program should bear a logical relationship to Spain's total investment plan and total import program for that year. They should also bear a logical relationship to the longer term investment plan and import program.

c. A reasonable amount of technical assistance should be provided for in the plan. Experience indicates that technical assistance, properly used, can produce results in terms of increased production far beyond its cost. It is important to note in this connection that the funds available for this type of assistance can provide only the foreign exchange costs and that local currency requirements, which are of vital importance to the success of any technical assistance program, must be provided from other sources within Spain.

d. The United States considers that at least $15,000,000 of economic aid should be allocated to meet the foreign exchange costs of necessary improvement and repairs for the Spanish railroad system. This amount is considered to be necessary to insure adequate transportation facilities for the proposed plan for construction of military installations in Spain. Such use of economic assistance would thus support defense objectives as well as serve the civilian economy.

e. If it appears feasible and desirable after further study, some economic assistance could be allocated to the financing of the development of Spain's munitions industry. This is a question for further discussion with the U.S. Military Group.

7. All economic assistance made available to Spain on a grant basis, as distinct from any aid which may be made available on a loan basis, and including economic assistance which may be allocated to military supporting projects, e.g., development of Spain's munitions industry, will require the deposit of equivalent value in Spanish pesetas at a rate of exchange to be mutually agreed upon. These deposits are known as "counterpart" and are required to be made in a Special Account in the name of the Government of Spain on the basis of actual dollar disbursements by the United States Treasury to suppliers of commodities and equipment to Spain. They are made in accordance with advices to the Government of Spain at regular intervals submitted by United States representatives in Spain.

It is recognized that the problem of determining a rate of exchange for converting dollar expenditures into equivalent peseta value for the purpose of counterpart deposits will be particularly complex in view of Spain's system of multiple rates of exchange. Further discussions on this question will undoubtedly be required.

8. The United States expects that the program for the expenditure of counterpart funds will include provision for financing of all peseta costs of the fiscal year 1952/53 military construction program which is currently being discussed with the U.S. Military Group. Present estimates indicate that such costs will require a very substantial portion of the total counterpart deposit arising from the economic assistance component of the $100 million appropriation. The Economic Cooperation Agreement will contain a provision for the transfer of such counterpart funds out of the Special Account in the name of the Government of Spain to meet such costs and provides that such transfers will be made at the request of the United States on the basis of the requirements of the military construction program. The Agreement will also provide for advance deposits of counterpart funds should such advances be necessary to provide pesetas for the requirements of the military construction program before the actual delivery of equipment and commodities furnished under the economic assistance program, which would give rise to the deposit of counterpart.

The use of counterpart funds to defray the peseta costs of the military construction program is regarded by the United States as a contribution by the Government of Spain to its own military potential.

It is impossible to state at this time what arrangements for such cooperative financing of military requirements will be made in future years.

9. It is important to note that while it is contemplated that the peseta costs of the military construction program will be covered by transfers from the counterpart fund, the dollar and other foreign exchange costs of this program will be covered by funds available to the United States Department of Defense which are separate and distinct from the $100 million appropriation for assistance to Spain.

No. 852

711.56352/4–2952: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET MADRID, April 29, 1952—6 p. m.

1163. USNEG. Embtel to Dept 1104, rptd Paris 194; Rome for Unger 45, April 18. [2] You will recall Vigon at mtg promised written answer Kissner's April 16 memo [3] which included statement of US requirements. Kissner had fourth mtg with Vigon April 26 and latter then presented memo, our translation of which fols:

"In answer to the points outlined by Gen Kissner, I have pleasure of informing you that:

1. A. Upon reviewing (your) memo of 16 April, we notice, generally speaking, a better explanation of measures which can contribute to air and naval operational requirements of US Forces. If, as we hope, our requirements of similar nature which will be outlined to you are accepted by your authorities, we are confident that majority of requests formulated cld be favourably resolved, in a similar manner to those agreements you have made with other countries.

2. B. The observations that fol are primarily intended to clarify and define the nature and extent of the Amer desires regarding collaboration that Spain cld offer to defense of West by authorizing preparation of certain installations in its territory, and later, their utilization under conditions to be established. We also wld like to review consequences which as a result cld affect Spain, as well as means to face them.

3. C. Location of aforementioned installations, circumstances under which they are to be prepared and eventually utilized, we hope will be object of detailed study by reps of armed forces of Army, Navy and Air Force of both countries which may shortly begin their tasks.

We wld desire that you wld share our criteria that partial agreements which, in principle, will be reached shld be considered of provisional value, subj to rectifications, until gen polit, mil and econ agrmt is reached.

4. D. Based on foregoing and reiterating that Spain is, in principle, disposed to coop in def of West, we wish to submit for your consideration:

a. 1. The collaboration, apparently passive, which is now required of Spain, in reality wld not be so in any sense, because granting of

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[1] Repeated to London, Paris, and Rome.

[2] Document 849.

[3] Document 850.

mil facilities implies position of belligerency, whose immed consequences cld:

1. (a) Air attacks against all natl territory which cld be launched from beginning of hostilities.
2. (b) We cannot discard possibility that before mobilization of part of NATO divisions begin, armored forces of aggressor cld initiate large-scale operations, nor possibility of enemy airborne forces attempting to create centers of harassment and resistance in distant zones, attacks on Pyrenees barrier and in interior of Peninsula, cld be launched in very short time.
3. (c) Within short time, we must expect attacks on our maritime communications in peninsular and inter-insular waters.

b. 2. Above mentioned eventualities indicate priority of urgency of def measures that Spain shld adopt, with material and tech assistance of US, which shld be:

1. (a) Organization of anti-aircraft defense of natl territory, which wld require:

(A) Radar net.
(B) Air interception.
(C) Anti-aircraft artillery.

2. (b) Reinforce armament of our active divisions which shld be deployed in Pyrenees and which require replacement of part of their artillery, completing their anti-tank and anti-aircraft armament presently very deficient and completing and renovating their transport material.
Complete armament of light divisions and their transport material.
3. (c) Equip our ships with fire direction and radar installations for effective protection of our maritime communications.

We consider that a part of these requirements cld and shld be contributed by our industry by completing and modernizing its equipment; however, for certain requirements of an urgent nature, material from existing stocks shld be utilized, considering that creation of NATO divisions appears to be delayed.

5. E. Considering review of your concrete proposals, I can state that we are willing, in principle, to render active collaboration that is possible to us to develop and equip mil installations referred to in paras (a) and (b) of your memo and to grant in gen terms authorizations referred to in paras (c), (d), (e), (f) and (g) the details of which should be object of technical mil agreements between services.

Regarding utilization of said installations, we understand it shld not be exclusively Amer, that they will also be utilized by Span Armed Forces and that mil command of said bases shld be Span, without limiting operational independence of Amer commands nor interfering with control of their troops.

A now old and painful experience causes Span populace to view with certain amt of reluctance establishment of Allied Forces on Span soil. In order to avoid aggravation of this legitimate sensitivity, which wld be played up by enemy propaganda, it is our desire that tours of duty in Spain of instruction cycle units (units on rotational training) be limited to amt of time considered strictly necessary for accomplishment of their missions. Personnel of technical services which are more or less stable in nature cld be relieved at greater intervals of time which wld not adversely affect efficiency and continuity of their work.

We equally desire that proximate and far (close in and outer) defense of bases be entrusted to Span troops, with Amers taking charge only of guarding and custodianship of their own material and installation.

6. F. We find concept contained in part (h) too vague and imprecise and we shld like to have it clarified. We shld also like to have contents of part (k) clarified. In it they refer to requirements which are not foreseen today but which cld derive from future polit or mil requirements; perhaps this part cld be held in abeyance until proper occasion arises.

Insofar as contents of part (j) are concerned, it appears to us difficult to find, in our gen heavily-populated coasts, adequate space for exercises of such amplitude.

7. G. Even though nothing indicates period of time of agrmt, it seems to us that it cld be fixed at five years. This period cld be prolonged by mutual consent, in event that circumstances make an extension advisable.

With understanding that gen staffs are not the agencies responsible for econ consequences of this type of agrmt, we nonetheless desire that in plans for purchase for construction required for proposed installations and for employment of Span personnel, interservice agrmts shld inspire themselves to (be dedicated to) proposition of preventing inflation."

In amplification of above Vigon orally stressed certain points and asked questions on others as fols:

1. US can not expect exclusive use of bases which must be commanded by Span officer altho US Forces and facilities thereon cld be commanded by US. Set-up similar US bases UK.

2. Concerning negots in gen all oral agrmts must be considered provisional and subj final amend correction and approval higher auth.

3. Anytime Kissner wished to reply to Vigon's memo wld be satisfactory to Vigon.

4. Vigon asked for clarification of part (h) Kissner's memo 16 Apr and in particular words "projected US Army requirements".

5. Re part (k) Kissner's same memo, Vigon asked again clarification and stated this para might involve negots with other countries such as passage of Fr troops thru Spain from Morocco to France. Gens agreed to defer further discussion on this and preceding point.

6. Re US Navy requirement amphibious training area, Vigon stated Span coast either rugged or populated therefore no areas available for major amphibious exercises if we intended use extensive forces. Kissner explained area desired for marine training and large land area not contemplated. Vigon stated Span extremely sensitive fon Allied troops in Spain. Kissner expressed our understanding this matter and explained that contemplated US base personnel more in category technicians than armed combat formations. Vigon appeared understand, adding, however, that rotation of combat units for training shld contemplate minimum time in Spain.

8. [*sic*] Vigon states concern over possible inflationary impact of US program on Span econ, and Kissner replied US concerned in minimizing effect any such impact.

9. Vigon said that after considering Kissner's next memo, he wld be in position to assign definite work for service level mtgs.

In regard Vigon's memo above, it appears clear that Spans hopes US will compute and contribute amt equipment required for broad improvement Span Forces in partial preparation hostilities, and that though he realizes Span industry must help Vigon expects some indication in Kissner's next memo of what items US may furnish. Furthermore, he seems to feel existing US equipment for NATO may be available to Spain in view delay schedule organizing forces for NATO.

Other points on which clarification or instr desired are as fols:

a. Supply of material requested in para 4(b) Vigon's memo.
b. Details re proposed allocation mil end-items.
c. Amplication of para (4) and (5) above.
d. Five-year term proposed. (This particularly interesting since topic of duration not yet broached by Kissner).

Pending receipt requested guidance Kissner intends supply Vigon with interim memo this week [4] with view providing Span with clearer conception of contemplated use bases, details of facilities required thereon, cost estimates, and desired duration.

Copies Vigon's memo in Span and Kissner's memo of conversation fol airmail. [5]

MacVeagh

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[4] Kissner transmitted the interim memorandum, which he handed to Vigon on May 1 during the fifth meeting between the two negotiators, in despatch 1117 from Madrid, May 5. (711.56352/5–552)

[5] Vigon's memorandum and the memorandum of conversation were transmitted to the Department of State in despatch 1106 from Madrid, Apr. 30. (711.56352/4–3052)

No. 853

752.5/4-3052

Memorandum by the Acting Officer in Charge of Political-Military Affairs of the Office of European Regional Affairs (Wolf) to the Deputy Director of the Office of European Regional Affairs (Parsons)

TOP SECRET WASHINGTON, April 30, 1952.

Subject: Spain: Negotiations for Military Rights.

The Spanish negotiation is nicely off the rails. General Kissner presented to the Spanish General not only the requirements agreed between State and Defense but also the three requirements which were struck at State's insistence, [1] including the general army requirement for Spain.

In response to a query sent by the Department [2] asking for an explanation, Embassy Madrid has reported [3] that General Kissner took this action on receipt of some documents [4] from Defense, which were assumed to have been cleared with State.

Bill Dunham is trying to get these documents from Defense, and we will then decide what should be done. This is a most unfortunate occurrence, as it leads into just the trap that we sought to avoid: asking the Spaniards for rights in the Army area, which will evoke requests for army equipment. It also gets into the sensitive problem of preparation for army operations south of the Pyrenees, with all the inherent implications of abandonment of the doctrine of "forward strategy".

I am convinced that we should take a firm line on having curative action taken to drop this requirement. The reasons for this are the political aspects set forth above and the fact that, when we cannot meet our NATO equipment needs, it would be murder to engage in a major end-item program for Spain.

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[1] The three requirements under reference were items (h), (i), and (k) of Kissner's memorandum to the Spanish, Document 850; see also Document 844, for additional information on this subject.

[2] Reference is to telegram 926, Apr. 28. (711.56352/4-2152)

[3] Reference is to telegram 1165, Apr. 29. (711.56352/4-2952)

[4] These included a memorandum of Mar. 24 by Acting Secretary of Defense Foster to the JCS and two enclosures. (Madrid Embassy files, lot 58 F 57, "440—U.S. Negotiations") The letter from Foster instructed the JCS to issue instructions to the negotiating team on the basis of these enclosures, the second of which consisted of the U.S. military requirements as proposed by the Department of State; see the enclosures to Documents 835 and 840.

No. 854

711.56352/4-2752: Telegram

The Secretary of State to the Embassy in Spain [1]

CONFIDENTIAL WASHINGTON, May 2, 1952—7:35 p. m.

947. USNEG. Fol is reply Embtels 1142 and 1152 [2] (rptd Paris 203 and 204).

1. Appears from reftels Spans do not clearly appreciate purposes MSA 1951, distinct from purposes ECA. This basic misunderstanding seems to be key to erroneous Span concept re magnitude econ aid which is reflected in such aspects as Span dissatisfaction that prospective sum $68 million is insufficient finance massive commodity import program, long-term level programs, or cover B/P deficit.

2. We recognize that there is basic difference between our approach subj econ aid to Spain and Span approach. We believe explanations re purposes MSA 1951 contained in *Aide-Mémoire* Apr 19, especially paras 1 and 3b are excellent summary this subj and provide basis for further clarification Span misconception. In this connection suggest possible develop thought briefly expressed paras 2 and 9 DMS D-7, Mar 20. [3]

3. Span misconceptions apparently extend also to conditions stipulated by Congress re $100 million (para 3a Embtel 1142). These clearly indicated funds are to be used "in the discretion of the President under gen objectives set forth in declaration of policy contained in titles of Econ Cooperation Act of 1948 and Mutual Security Act of 1951." Whether more funds are provided during FY 1953, and what additional funds will be provided in FY 1954, shld be determined on basis specific objectives of econ program to be developed in these negots in line with para 2 above and provisions US legis; not on basis so-called principle Spans have advanced.

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[1] Drafted by Millar and Dunham and cleared with Cabot, Ebb, Blaisdell, Edwards, and Byington. Repeated to Paris.

[2] Telegram 1142 from Madrid, Apr. 24, reported that the Spanish were dissatisfied with Train's *aide-memoire*, Document 851, and that there was suspicion within the Spanish Government that the United States wanted to acquire the bases at a price so low and so temporary that Spain would not receive any long-term benefits from the arrangement. (711.56352/4-2452)

Telegram 1152 from Madrid, Apr. 27, reported MacVeagh's opinion that the $68 million ($50 million for commodity imports and $18 million for investment purposes) programmed for economic aid was a bare minimum for the achievement of U.S. goals in Spain, and that the Department of State should seek additional funds for fiscal year 1953, use the $15 million of railway rehabilitation funds for economic aid, or extend aid through additional channels, such as the Export-Import Bank. (711.56352/4-2752)

[3] Document 846.

4. Re para 3c 1142 we feel sure Spans wld prefer not consider our statements continuing interest their economy as acceptable substitute for additional fiscal 53 appropriation. However realities situation will undoubtedly indicate in due course what this continuing interest will develop in tangible form of fon exchange or commodities. Obviously purposes and objectives econ program must first be estab and agreed. On this basis they can then project possibilities for aid in future years. Obviously if one purpose of US policy is avoid inflationary effect US mil construction program in Spain this may well require some form continuing availability for fon exchange to Spain for imports consumers goods. We know you realize no assurances can be given Spans re foregoing, but offer them as possible lines of reasoning which you might wish develop informally.

5. We discount concern that flow commodities into Spain might cease after Jun 30, 1953, due hiatus in arrival commodities under any FY 1954 aid. This problem no different for Spain than for any other country. Timing involved in prospective four-quarter commodity import program is such that arrival commodities in Spain wld probably not begin until final months calendar 1952, in some instances considerably later, and therefore flow from four-quarter purchase wld continue through first months FY 1954 at least.

6. Re alternatives you have suggested (para 3 Embtel 1152) see paras 4 and 5 above. FYI re para 3a, [4] eligibility provisions already contained MS Act in Section 101(a) (1). No suggestion, however, shld be given Spans that they may expect addtl funds under this provision. Re para 3 C(b) [5] this cld be considered, but do not now believe magnitude wld be significant.

ACHESON

[4] Reference is to MacVeagh's suggestion that the Department of State consider seeking more funds for Spain in the 1953 Mutual Security Appropriations Act.

[5] Reference is to MacVeagh's suggestion that the Department of State establish quartermaster and post exchange procurement offices in Spain in order to increase Spain's dollar earnings.

No. 855

711.56352/5-352: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET NIACT WASHINGTON, May 6, 1952—6:21 p. m.

954. USNEG. Re Embtels 1163, [2] 1165, 1176, 1190, 1191 and Deptel 926. [3] Vigon memo Apr 26 gives impressions Spans desire massive aid as *quid pro quo* for US use mil facilities in Spain. Their specific desires as indicated Vigon memo are of course far in excess our capabilities. As you know our approach is that agreet with Spans shld be based on concept of mutual security. While Span argument made by Vigon (para 4a) has superficial plausibility, our gen view is that if attack shld come Spain wld inevitably be involved ultimately. Real def Span against probable attack lies in most effective def as far to north and east as possible. If discussion more specific *quid pro quo* required, Spans shld not be permitted lose sight of fact aid we are now discussing includes, in addition mil aid, substantial econ aid program.

We note from Embtel 1190 Kissner has apparently answered Span misconceptions re availabilities equipment intended for NATO divisions. Re Vigon's specific questions para 4b, Embtel 1163, detailed breakdown Apr 7 draft of requirements, which Lennhoff (Deptel 865 [4]) carried, contains list of equipment we desire install and operate for air defense system. Much of this equipment presumably similar to equipment Vigon has indicated Spans require. Difference wld thus appear to arise over: a) amount of this equipment; and b) responsibility for operational control and use this equipment.

Re other armament and transport matériel desired for Span Army, Navy and Air Force, supply of such equipment highly unlikely. (FYI only to supply items desired by 1954 wld require Span priority higher than NATO, and during immediate period after 1954 wld require priority comparable to NATO recipients.)

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[1] Drafted by Dunham and Wolf and cleared with Byington, Connor of the Department of Defense, Billingsley of the Department of the Army, McCaffery of the Air Force, and Weir of the Navy. Repeated to Paris and Rome.

[2] Document 852.

[3] Telegram 1165 from Madrid, Apr. 29, and telegram 926 to Madrid, Apr. 28, are described in Document 853. Telegrams 1176 of Apr. 30, 1190 of May 3, and 1191 of May 3, reported various details of the aid negotiations. (711.56352/4-3052 and 711.56352/5-352)

[4] Dated Apr. 11, telegram 865 reported that Lennhoff departed Washington on that day with the drafts of a proposed defense agreement and of the U.S. military requirements. (711.56352/4-1152)

As you know we plan supply Spans with some mil training equipment including matériel for anti-aircraft training. However before more definite information can be given Spans this regard we must mutually agree re: a) amount $100 million to be allocated to mil equipment; and b) breakdown this amount as to type of equipment and service recipient. This shld be developed *ad referendum* with Spans.

Re paras 4 and 5 Embtel 1163 (Deptel 926 and Embtel 1165) Kissner shld agree with Vigon's statement para 6f Embtel 1163 and reply that "paras h and k accordingly need not be made subj further consideration in these negots."

Re para i [5] in requirements list suggest this be dropped without further discussion. If Spans themselves shld raise it later, first three paras this tel give basis for informal reply.

Order avoid recurrence confusion similar to problem re paras h, i and k, [6] note terms of reference JUSMG para 1d, [7] which indicate "Joint State-Def instructions are to be sent to it through Emb." No instructions, guidances or other advice affecting substance these negots shld be acted on unless received through this channel. USNEG series established for this purpose.

Re Embtel 1191 you may release to authorized reprs Span Min Def blueprints, carried by Gen Garvin, for 105 mm how under provisions para 8g (2) and para 11a, DADCMI. Even though document unclassified above provisions DADCMI considered applicable. [8]

ACHESON

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[5] Paragraph (i) is described in Document 834.

[6] In a letter of May 23 from Ambassador MacVeagh to Dunham, Kissner was reported to have felt that no harm had actually come of the confusion over which list of military requirements represented the U.S. position. (611.52/5-2352)

[7] The terms of reference are summarized in Document 834.

[8] In accordance with the instructions contained here, Kissner presented a memorandum complementary to that presented at the fifth meeting on May 1 (see Document 852), during the sixth session with Vigon on May 9. This memorandum, together with a memorandum of conversation for that meeting, was transmitted from Madrid in despatch 1142, May 12. (711.56352/5-1252)

No. 856

752.00/5-1652

Memorandum of Conversation by the Counselor of Embassy in Spain (Jones)

CONFIDENTIAL MADRID, May 16, 1952.

Participants: Excmo. Sr. D. Manuel Arburua de La Miyar, Minister of Commerce;
John Wesley Jones, Counselor of Embassy

I had a long conversation with the Minister of Commerce last night after dinner at the French Embassy, principally about our military and economic negotiations. In response to the Minister's question, I said that I thought the negotiations in both fields were proceeding normally and thus far, without hitch. He said he understood that economic assistance depended upon the successful conclusion of the base agreement, to which I replied that the two agreements were interdependent. He then said some way must be found to give the Spanish military what they needed in the way of equipment. He said that he had not talked to General Franco yet about the negotiations but that he had talked to General Vigon, and while he could not speak officially, his personal view was that it was essential for us to make some concessions to the Spanish military's urgent need of equipment. He did not go into detail and reiterated on several occasions that he was speaking from personal impressions which he had acquired from his several conversations with General Vigon and other Spanish Army officers. During the course of the conversation, however, he did mention anti-tank and anti-aircraft weapons and equipment for "no more" than 20 divisions.

I attempted to review our basic policy of the defense of Western Europe as a whole as reflected in NATO of which we were the architects and to which we were fully committed. I said it followed naturally that we should put our primary effort into the strengthening, militarily, of those countries which were on the eastern periphery of free Europe and which would constitute the first line of defense in the event of war; that there was just not enough armament being produced to extend on the same scale to those countries which were, fortunately, more removed from the zone of possible immediate activity. I also tried to point out that it was not just a question of money for military end items but rather one of production and availability this year and next.

Arburua presented all the usual arguments in support of the Spanish military: that the French and Italians had no will to fight; that those countries had great communist minorities which presented a constant danger to us in terms of dependable allies; that the Spaniards had a fighting and reliable army which would prove itself a worthy ally against the Russians if armed; and that it would be impossible for us to reconquer Europe unless we could keep Spain as a foothold on the Continent. He continued that there was a psychological factor involved in equipping the Spanish Army; that Spaniards would not feel happy about fortifying air and naval bases in rear areas such as Cadiz if Barcelona and the eastern fron-

tier along the Pyrenees were left indefensible; that the Spanish Army required some assurances of effectiveness if they were to cooperate wholeheartedly with us and that they could not be expected to march without weapons.

I was impressed that the Minister of Commerce should make such a strong plea in behalf of the military. He did not dwell on the economic negotiations nor indicate that there was anything inadequate in the economic aid which has been proposed. Rather, his insistent theme was that a base agreement would not be enough to satisfy the Spanish armed forces and that we must consider giving them some equipment to maintain their morale and self-respect as a fighting force.

No. 857

711.56352/6-352

The Ambassador in Spain (MacVeagh) to William B. Dunham of the Office of Western European Affairs

SECRET PERSONAL MADRID, June 3, 1952.

DEAR MR. DUNHAM: I realize that it is some time since I have written you about our negotiations, but there have been a good many telegrams back and forth on this subject, so that factually you must have felt pretty well informed. As to my impressions, these can hardly yet justify a forecast, but I append some of them for what they may be worth in their present state.

At the moment, the Spanish have in their hands the sum total of our proposals. In the talks leading up to this point it has become plain that they have not understood, or perhaps have not wished to understand, the very limited nature of what we are authorized to negotiate. On the military side, they have constantly brought up questions of strategy and "integration with Western Europe" which are not within Kissner's province, and on the economic side, I have reason to suspect they have been listening more to their Embassy and its lobby in Washington than to Train, perhaps figuring that they may eventually wangle more out of us than he is competent to discuss. Doubtless, our policy of leading up only gradually to a consideration of the full documents left the door open to this kind of thing, but we felt we might encounter serious delay in getting started at all if we thrust forward such a formidable array of proposals at the outset, while the method adopted has permitted talks of some sort to begin promptly and has enabled us to perceive some of the attitudes we may have to face. Thus, it seems that there is a

strong feeling on the part of the Spaniards that the *quid pro quo* which we offer for the use of their bases is inadequate, at least militarily. I cannot tell how far they will want to press this, but they apparently conceive that we should give them some assurance of cooperative integration in the general picture of Western defense if they undertake to cooperate with us in the manner expected. In this connection, as I pointed out in my last letter, [1] they have shown themselves intensely aware that giving us the use of their fields would entail immediate belligerency on their part once a war broke out in which we were involved, and the many questions which Vigon tends to ask which are specifically unrelated to the content of our proposed agreements would appear to find their basis in a fundamental uneasiness of the General Staff as to Spain's exposed position should she sign anything so limited. See in this connection the paragraphs under "A" in the interesting report furnished by Santos Costa to our Embassy in Lisbon and forwarded in its despatch No. 826 of May 22. [2] (As to the speculations under "B" in that report, these do not seem to me so important, since Spain's entry into NATO is hardly practical politics at present, and the idea of a tripartite pact with Portugal has, so far as I know, little if any support on the top level in any of the three countries concerned.)

On the economic side, Spanish uneasiness does not appear so great and it would seem that difficulties should not be inseparable once the military problem is ironed out. Of course there will be some counterproposals, and there probably will be a few things we want which the Spaniards will definitely not agree to. Some people may think that we could then get tough and in effect turn these negotiations into an exercise in *force majeure*, but this would hardly be in keeping with our over-all policy or likely to succeed with these people if it were. Nothing could be plainer to us here than that these negotiations must be conducted as a joint enterprise on an entirely friendly and cooperative basis if they are to succeed, and that we must be careful not to let seep into our talks any of that spirit of dislike and hostility toward the Spanish Government which occasionally appears in our communications from Washington or Paris. Meanwhile a hundred million dollars still seems a small sum to our friends, but their fears that this might not be made available in 1953 have been allayed and they have hopes of the additional twenty-five about which so much has been

[1] Reference is to Ambassador MacVeagh's letter of May 23, in which he discussed the Spanish reaction to the U.S. military requirements presented by Kissner on Apr. 16. (611.52/5-2352)

[2] Despatch 826 reported the impressions acquired by the Portuguese as to Spanish concerns in the negotiations with the United States. (753.5/5-2252)

said, [3] while some good progress has been made toward clearing up the Eximbank loan matter [4] which bothered them so much at first.

Regarding the time so far consumed in these negotiations, I must say I cannot feel that this has been excessive, in view of the complexities of the present proposals which it took us ourselves so many months to evolve. Of course there are and will be delays in getting both replies from the Spaniards and instructions from Washington. When these occur I do my best, as in the case of the Azores, to quiet our anxious negotiators, and I must add that they have responded well. Naturally we shall work to keep things moving here, but a certain amount of understanding is necessary in these matters, and the Spanish are not only well aware of our vulnerability as regards taking "time-out" for consideration but are also very quick to resent pressures which they feel unjustly applied. Much could be lost by a show of impatience at this time, and this I endeavor to keep in mind.

More later, as things develop.

As ever, yours,

LINCOLN MACVEAGH

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[3] The Mutual Security Act of 1952, P.L. 82-400 (66 Stat. 141) June 20, 1952, extended the availability of the $100 million appropriated in the 1951 Appropriations Act until the end of fiscal year 1953 and added $25 million to it for "economic, technical, and military assistance to Spain in accordance with the provisions of this Act."

[4] In a letter of May 10 to Deputy Special Representative in Europe for Economic Affairs Porter, Deputy Director for Mutual Security Kenney indicated that the Export-Import Bank had agreed to send representatives to Madrid in order to "expedite future action" on disposing of the balance of the loan of $62.5 million voted by Congress for aid to Spain in 1950. (Spanish Desk files, lot 58 D 344, "Negotiations U.S.-Spanish, Apr.-June 1952") At that time $9.8 million remained unexpended. For documentation concerning the origin and expenditure of this loan, see *Foreign Relations*, 1950, vol. III, pp. 1549 ff. and *ibid.*, 1951, vol. IV, Part 1, pp. 840 ff.

No. 858

711.56352/6-752: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State

SECRET MADRID, June 7, 1952—11 a. m.

1321. USNEG. Ref Embtel 1314, June 5 [1] rptd info Paris 249, London 128, Rome 60. Fol is our translation Vigon's memo. Believe this most important and revealing expressions Spanish views yet

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[1] Telegram 1314 reported that Vigon had handed Kissner the Spanish reply to the memoranda presented to the Spanish on May 1 and May 9 during the seventh meeting between the negotiators on June 5. (711.56352/6-552)

recd and your comments earnestly desired. Since these not anticipated for guidance before next mtg now scheduled for Monday, June 9, [2] Kissner plans defer discussion on important points. Meanwhile, we convinced that argumentation contained this memo represents strong feeling likely prove increasingly serious impediment, possibly requiring for its removal some reasonable increase in military assistance along limited lines suggested.

(*Begin memo*) "Having made consultations I spoke to you about upon receiving your memo of May 5 [9], [3] I can outline views of your authorities re observations that you formulated after having seen our explanation of our requirements.

I must begin by insisting on several of reasons that justify our points of view and which, although based on requirements of Spain, do not forget common interest that unites us.

Weaknesses and deficiencies which presently exist in our armament—and which are, in great measure, consequence of isolation to which we have been condemned by arbitrary hostility which we have been enduring for years—as well as necessity to overcome these deficiencies, have been faithfully and clearly revealed by His Excellency, Chief of State, to Admiral Sherman and to General Spry. It is to be assumed that these are not ignored by American military authorities because they have been revealed many times to different personalities.

It is your responsibility to judge whether or not rearmament of Spain can be useful towards solution of problems of west, but it is for us absolute necessity and it was so emphasized by our "Caudillo" in above mentioned occasions. From another point of view there is no way to explain to our people that in this aspect, as well as others, we were to be object of discriminatory treatment on same occasion that, for first time, you manifest desire to count on us in a cause that was always our own.

Based on above considerations, we submit for your examination reasons that, in our judgment, serve basis for our moderate desires as well as means to fulfill them without creating difficulties in progress of your war production, nor interfering in appreciable manner with supply of matériel to other countries.

I. We have always recognized that our anti-Communist ideology makes us preferential objective of Russian hostility; therefore, in event of Commie eruption towards west there wld undoubtedly arrive time when struggle wld take place on our Pyrenees border with all its consequences, one of which wld be unanimous reaction of our people against menace of unprovoked invasion, which wld permit them to face all necessary risks such as air attacks. This taken-for-granted hostility of all Commies toward Spain shld not in our judgment be reason to consider of lesser urgency and interest

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[2] Records of this meeting, the eighth between Kissner and Vigon, were transmitted from Madrid in telegram 1335, June 11, and in despatch 1252, June 13. (711.56352/6-1152 and 711.56352/6-1352)

[3] The consultations, which were with Generalissimo Franco, were alluded to in the memorandum of conversation by Kissner transmitted in despatch 1142 from Madrid, May 12. (711.56352/5-1252)

rearmament of Spain, because it shld be recognized that, if our air bases are utilized by American forces from beginning of struggle, Red aviation wld have primary interest in attacking Spanish bases with objectives of interfering with their utilization by US Air Force and that they wld extend their activity, if they cld do so, against our centers producing war matériel. Considering numerical superiority that apparently that aviation (presumably Soviet) presently has, presence of Allied interception on Elbe or Rhine wld not necessarily impede Russian bomber formations, stationed in some Balkan country, from overflying Mediterranean to attack Spain, whose own people wld be considered unarmed and unassisted to repel aggression which, to certain extent, we wld have provoked, or to say least, precipitated. And one shld not count on assured and unfailing presence of American Air Force because you shld not and can not give up possibility of deploying it to concentrate in theatres of operation which circumstances may demand at given moment.

For this reason we insist on necessity, for Spain, which may be convenience for yourselves, to grant to our air defense attention and means that, from first moment, we consider indispensable in three fol aspects:

A. *Radar net.*

Project that, in general terms, you indicate in 3a (presumably para 4a Kissner memo May 9) cld, without doubt, adequately fulfill requirements of Spain when it is completed. However, idea of not beginning these installations until third year we believe shld be revised, by beginning in the first year of work to establish most indispensable elements in Pyrenees and Balearic Islands and developing during fol two years rest of plan simultaneously with progress of work on airfields. In this manner if due to precipitate development of political events, air forces have to be deployed prior to proposed completion deadline, incomplete but sufficient warning net wld be available.

B. *Interception.*

As we shld not count on continuous presence of American Air Force on Spanish soil because, as we have mentioned before, military requirements cld make it advisable to concentrate it temporarily in another area, we consider existence of national air force absolutely indispensable; this shld not necessarily mean that you shld disregard other commitments you have contracted. Limited collaboration in jet engines and accessory matériel wld suffice to begin production of some type of relatively simple but effective fighter aircraft in Spain; at same time training matériel that you cld supply us wld permit us to train our personnel.

Requests which we have formulated in our previous memo were not specific because we understood that, if you accept in principle our point of view, manner and quantity of aid cld be studied by corresponding military and technical services.

With ref to comments you formulate in section 1 and 2 of para B (Kissner's memo May 9) [4] I wish only to express our sincere desire that planned deliveries effectively serve, in all cases, purposes to which you have assigned them; if this were case we wld look into future with less preoccupation. However, it is not permissible for us, nor do we feel it desirable, to base defense of our soil in effort or sacrifice of someone else. Also existence of interception units in Central Europe does not exclude possibility of air attacks from other directions as we have mentioned before. In addition, eventual conflict cld begin and evolve in different form to that generally foreseen.

C. *AA artillery.*

Since you know actual condition of our anti-aircraft defense and therefore are willing to make available to us some training anti-aircraft equipment, I desire to bring up point that this wld be hardly beneficial if, once training in this equipment is acquired, we were not going to receive additional anti-aircraft equipment in adequate amount. If shipments now proposed are part of initial program which eventually will have further developments in accordance with our needs and with ability of US to furnish this equipment, we wld be very grateful to have this confirmed.

II. With regard to equipment and armament for our active diversions [*divisions*], aside from recommendations that in more detail central general staff of army may submit at later date, it is our opinion that this equipment shld be oriented toward equipping these divisions in such way that their organization and fire power be same as similar units of other countries. Taking into consideration that most of this armament cld be manufactured in Spain, equipment that wld be made available to us wld not entail significant reduction or delay in delivery of this equipment to other countries. Some of this equipment cld be part of anti-aircraft equipment and some medium caliber howitzer battalions.

As to anti-tank armament (presumably 105 mm. howitzer), drawings that General Garvin has brought [5] no doubt will be of great benefit and for this we are very grateful; our own ordnance services are actively developing some prototypes which seem very interesting. As to transportation, it is our opinion that furnishing of this material will not be difficult for us, taking into consideration fact that number of vehicles in our tables of organization is smaller than number of vehicles in similar US units.

III. You indicate to us that amount of 12 million dollars of military aid program is maximum amount for first year in material and armaments for light divisions. We assume that you refer to initial training period course all units and for organization of larger units, after which period we wld receive other material, light tanks

[4] The sections under reference corresponded to that part of the instructions for the May 9 memorandum contained in the first and second paragraphs of Document 855.

[5] According to the memorandum of conversation transmitted by Kissner in despatch 1142, May 12, these blueprints were handed to the Spanish at the sixth meeting between the negotiating teams on May 9. (711.56352/5–1252)

and general purpose vehicles. If this is case, we wld appreciate that we be so informed.

IV. We wld also like to know that, if once it is proved feasible to install modern equipment in some of our ships without risk to their seaworthiness, as we believe, there is possibility of installing this equipment in some ships that wld go to US and, upon return to Spain, wld be used for instruction purposes, simultaneously being utilized as model for modernization of rest of units of our navy.

V. In your para 4e you indicate that amount of 100 million dollars is top limit for aid plan for first year and in your para 5 you reiterate this projected aid is an initial step in military cooperation with Spain. If our interpretation is correct, that is, if this is really initial program that is to be continued, we believe convenient joint study, taking into consideration our needs, of plan to be developed within same three years which you have specified for installations that you desire to use; and also taking into consideration that future Congressional appropriations shld give rearmament of Spain attention and importance which presence of your mission in our country demonstrates. If you accept this proposal, detailed studies cld begin immediately between personnel of mission and general staffs of our three armed services.

VI. We still believe appropriate to insist on some of our previous indications regarding length of stay of US Air Forces in our territory during peacetime.

A. Presence of US forces in some European countries, more or less continuously since last war, can not surprise people of those countries as they are used to such presence since years of common fighting; nevertheless you must realize that it is difficult to prevent certain friction. We consider it politically unsound to impose on Spanish people certain limitations and servitude in time of peace, without people themselves realizing necessity of accepting them or simply because of convenience of these impositions. First incident wld be taken advantage of by Red propaganda against you and against Spain; even now such propaganda has been initiated and we shld presume that it is going to be intensified.

B. Besides, we do not consider presence of your wings in time of peace indispensable in order to be acquainted with installations and to reassure yourselves of correct functioning of services in these installations. It wld be enough with visits of forces of smaller size similar to visits that fleets now make to Allied ports and, of course, as frequently as it wld be convenient.

More liberal criteria wld be applied to technical personnel which is responsible for certain services.

VII. Since in our opinion length of mutual aid agreement between our two countries depends on certain political aspects, development of which at present can not be foreseen, we believe that it wld be convenient to fix period of time of between five to nine years, for example, and to make provisions for extension of this term in accordance with circumstances as they develop." (*End Vigon memo*)

MacVeagh

No. 859

711.56352/6-1252: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, June 14, 1952—12:25 p. m.

1076. USNEG. We agree completely with Kissner's comments to Vigon (para 1 Embtel 1335 [2]) re desirability more precise info re types and amount equipment Spans desire. Since Vigon has promised provide this info next week we have decided hold in abeyance comments we are preparing to send you re Vigon memo (Embtel 1321 [3]) pending receipt this further info from Vigon. We wld prefer be able give full response Vigon memo rather than partial answer at this time which at best wld be based on only partial info re Span desires.

FYI only we are prepared to consider increasing amount for mil aid to Spain out of $125 million within limitations imposed by supply and priority conditions and considerations re econ program. However before doing so we will require more detailed info Vigon has promised as well as ur comments and recommendations. Make up of Span desires for mil aid and price tag thereon may turn out to be heart of problem. For example cld Span minimum requirements for armed forces be met with a program of $25 or $30 million a year over two or three year period over and above mil component of present $125 million, we wld be willing to seek agreet within US Govt shld this be necessary to conclude agreet with Spans. Obviously any program of greater magnitude is out of question. You will be first to realize importance giving no indication foregoing possibility to Spans. In this connection commend Kissner's emphasis to Vigon that no implication addtl aid involved in suggestion re amplification Span desires.

FYI only, order further help in meeting Span desires re mil equipment, we are prepared to consider increasing aid to Span munitions industry to assist them in producing mil equipment they desire and can produce, if they wish to divert for this purpose more than $5 million from $125 million.

ACHESON

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[1] Drafted by Dunham and cleared with Billingsley, McCaffery, Cabot, DePaul, Weir, Conner, Rogers, and Byington.

[2] See footnote 2, *supra*.

[3] *Supra*.

No. 860

752.5/7-552

Record of a Meeting Between United States and Spanish Representatives, Madrid, July 5, 1952 [1]

SECRET

Arguelles said that he had called us together because the Spanish Government on the military, economic and political sides had been doing a good deal of soul searching during the last few days and had decided that it would be useful to give us as clearly as possible the essence of the conclusions the Spanish had come to. It was obvious that these derived from a cabinet meeting on July 4, 1952.

Arguelles spoke in English throughout (something he has never done heretofore). He made it clear that although talking only to the economic side of the U.S. negotiating team, he had been instructed to talk officially and express the views of the Spanish Government.

He said they considered that the negotiations had come to a "standstill"; that Arburua had had lengthy discussions all week with General Vigon from which it was apparent that General Vigon was not satisfied that the amount of military aid thus far suggested ($12 million [2] plus the entire $25 million [3]) would permit him to provide adequately for the defense of the national territory in the light of the increased vulnerability of Spain which would result from an agreement now to permit the U.S. to construct and utilize air bases under the terms and conditions we have outlined; that realizing that the U.S. position was such that a total of $125 million is all that will be available in Fiscal '53, the Spanish Government had considered how far it would be willing to go within the limitation of the sums available and had decided to suggest the following:

1. Negotiate and sign an Economic Aid Agreement
2. Negotiate and sign an MDAP Agreement
3. Negotiate and sign an agreement providing for the construction of air bases (here he parenthetically added that the Spanish Government would pay peseta costs from counterpart)

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[1] The participants in this meeting, which took place at 11 a. m. in Arguelles' office, were George F. Train, Ivan B. White, and Richard S. McCaffery, Jr., for the United States, and Jaime Arguelles and Francisco Javier Elorza for Spain. No indication of authorship was found on the source text.

[2] This figure was the sum allocated for military aid in DMS D-7, Document 846, and proposed in Train's *aide-memoire*, Document 851.

[3] This figure was the sum appropriated for Spain in the Mutual Security Act of 1952, P.L. 82-400 (66 Stat. 141), June 20, 1952. No restrictions were placed by Congress on its use within Spain.

4. Negotiate and sign a conditional agreement covering the utilization of the bases. In this connection, he said that a final agreement regarding use of the bases cannot be a *quid pro quo* for the agreements suggested in 1, 2, and 3 above and expressed the opinion that progressive negotiations for the use of the bases should be developed "au fur y mésure" as Spain's economic and military capability developed as the result of implementation of the MDAP and Economic Agreements.

In reply to Mr. Train's question as to whether a conditional time-phased agreement for progressive utilization of the bases would be possible of execution together with the other three agreements, Mr. Arguelles was somewhat doubtful but agreed to explore the matter further in the light of the consideration that the U.S. could hardly use appropriated dollar funds for the equipment of bases with respect to the use of which, in given circumstances, the position was unclear. Mr. Train suggested consideration of conditions begin from an unconditional commitment by Spain for immediate utilization of the bases in the event of war. Mr. Arguelles said that he would provide Mr. Train with a written memorandum [4] of the Spanish government proposal within two or three days and that the present discussion was intended to explain and clarify the thinking behind this memorandum. Mr. Arguelles made several interesting statements and gave the impression of speaking with unusual frankness—always on a personal and friendly basis—in the course of the conversation. For example, he said that in the matter of increased vulnerability, the opinion of the Spanish army and its officers had to be taken into account. In fact, he said that in a country where public opinion does not exist, the responsibility of a government for making decisions affecting the nation was even more grave than would be the case if there was such a thing as public opinion. He certainly intimated that (a) the position of the Spanish Government depends on the support of the army and (b) that the army would not be satisfied to see a base agreement executed unless it was given sufficient equipment to permit its officers to become more actively operational, presently or prospectively, than would be the case with the amount of funds now proposed for military assistance. Mr. Train explained the difficulty of supplying equipment to a Spanish army which would have a purely defensive role, stating that unsatisfied prior commitments to NATO countries for scarce equipment precluded, in his opinion, the immobilization of such equipment in Spain or anywhere else. Mr. Train also stated that there was a strong impression, whether well founded or not, among many officials in the U.S. Government that General Franco

[4] Transmitted in telegram 41 from Madrid, *infra*.

would never permit Spanish ground forces to fight outside Spain, to which Mr. Arguelles replied that there were elements in Spain which did not wish to see any agreements with the United States.

Mr. Train repeatedly urged Mr. Arguelles to use every effort to persuade General Vigon to permit the staff level discussions requested by General Kissner to commence immediately and intimated that this was the "next step" indispensable to consideration of the Spanish suggestions.

Conclusions

1. It is *not* possible to obtain a base agreement in the form we now propose in consideration of $125 million military and economic aid, no matter how we slice this figure. We have convinced the Spanish that this is all we are prepared to offer at this time. It *is* possible to get an agreement to begin base construction at once, an MDAP agreement and an Economic Aid Agreement based on $125 million.

2. If General Kissner's staff level discussions result in conclusions that the Spanish army can be satisfied with equipment to be delivered at some future date costing say $150 million over a period of three years or $50 million annually in addition to the military component of the $125 million presently authorized, it is my opinion that we can get a base agreement on the terms we want.

No. 861

711.56352/7-1252: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET PRIORITY MADRID, July 12, 1952—11 a. m.

41. USNEG. Mytel 35, [2] rptd Paris 9, London 3, Rome 4. Translation of memo follows:

Text Begins: During the preliminary conversations held by Amer and Span groups and as consequence of exchange of impressions carried out, the respective positions have slowly become more clear. In order envisage the problem adequately, it is necessary begin with exposition of these points of view which may be presented as follows:

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[1] Repeated to Paris, London, and Rome.

[2] Dated July 11, telegram 35 reported the meeting between Arguelles and Train on July 5 (see *supra*) and the receipt on July 9 of the memorandum promised by Arguelles during the course of the discussion. It further offered the opinion that the Arguelles memorandum presented a viewpoint so different from that of the United States that new instructions from Washington were required in order to continue the negotiations. (711.56352/7-1152)

I. *United States position:*

(A) The US places at disposition of Spain $100 million for mil, technical, and econ aid. There exists, in addition, the official announcement that to this amt may be added another $25 million for same purpose.

Distribution of these amts might be:

$37 million for mil equip; $88 million for purchases of an econ nature.

(B) Utilization of these amounts, in the manner and distribution which may be agreed upon, is conditional upon:

(1) The signing of an econ coop agrmt.
(2) The signing of a mutual def agrmt.
(3) The signing of the base agrmt.

In contrast to the gen nature of two first agrmts, the third requires the establishment of statute by which the bases to which it refers must be governed and the conditions for their use. Therefore, it is in this agrmt that the difficulties of the negots are encountered.

II. *Spanish position:*

(A) On econ side, it is felt that sum of $125 million is very small and that assistance wld be necessary which wld permit development of a concrete program continued for several years; this aside from advisability of introducing modifications in the econ agrmt proposed by the Americans.

It must be pointed out that the recent authorization of $25 million was voted mentioning "not less than $25 million for mil, econ, and tech aid to Spain." The American negotiators have left it reduced to that minimum figure of $25 million.

(B) On mil side, the Span position has taken the fol form:

(1) Maximum figure of $37 million for mil aid is considered wholly insufficient, quite apart from the fact that the application to mil ends of the entire $25 million established for econ aid appears to be illogical (inconsistent).

(2) Assurance of continued aid for a period of several years wld be indispensable.

(3) Aid shld be in sufficient quantity to accomplish fol objectives:

As regards ground forces, to organize and equip the divisions necessary for adequate def.
As regards air forces, to have available to us planes and anti-aircraft material sufficient for protection of national territory against air attacks.
As regards navy, to accomplish modernization of certain units and coastal defenses.

(C) Spain wld be willing conclude an agrmt for construction and org of wholly Span bases whose eventual utilization by Amer forces in the event of emergency wld have to be subject of a later agrmt. Use of Span bases in time of peace by a fon power, inasmuch as it is not indispensable, conflicts with natl feelings and dignity and is

considered harmful to harmony and understanding between our countries.

III. [3]

(1) Exposition of both points of view clearly shows that the difficulties encountered in negots arise from disproportion which exists between amt of $125 million in total budgeted for econ aid and the obligation which wld arise for Spain from an eventual agrmt between both countries under terms of Mutual Security Act of 1951 and proposed base agrmt.

(2) Although investment of amts allocated by Cong for aid to Spain wld assist Span economy and Span mil preparation, that amt is not by any means sufficient to cover requirements proceeding from a later agrmt under the act cited which, if carried out, wld require investments of greater magnitude.

(3) Neither in text of law nor upon authorizing such assistance was it sought to assign to it such a character. If application of aid already granted had had to be subordinated to prior existence of an agrmt under Mutual Security Act cited, such an agrmt shld have been negotiated previously and, in that case, such aid should have been increased in amt, form, and for period demanded by requirements derived from new obligations contracted.

(4) On the other hand, when one compares form and amt of aid granted to the other nations with that which is offered to Spain, it is evident that there exists a difference in treatment and, in our judgment, Amer econ assist is small by any standards in contrast with Span responsibilities which include whole range of polit and mil affairs.

(5) If there are not available sufficient elements with which to confront the aggressions which our belligerency might provoke, our gen staffs and country itself wld disapprove an agrmt in which they were limited in or denied the indispensable and minimum elements with which to organize their own def. Likewise, public opinion wld not support such an agrmt which wld aggravate the country's sitn without obtaining the countervailing advantages corresponding to importance which problem demands.

(6) Both aid granted to countries of the Western group, in spite of their weak will to resist which has been so often expressed, and that which recently has been quoted to Yugoslavia, show clearly how justified our arguments are and support our request that we be able to rely on sufficient elements in indispensable minimum quantity.

(7) Consequently difficulties encountered in progress of negots derive from fol causes:

(a) Inability to advance in detailed negots if a basic agrmt has not been reached previously.

(b) Fact that proposed assistance will in no case be sufficient to satisfy the obligations of an agrmt such as the one sought.

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[3] In telegram 35, July 11, Ambassador MacVeagh expressed the opinion that the portion of the memorandum following this point was written by Generalissimo Franco himself. (711.56352/7-1152)

(c) Inescapable necessity for our nation that her security in the face of danger be guaranteed with amt of assist indispensable to strengthen her econ and mil preparedness.

(8) If it is not within powers of US Del to meet the inescapable obligations for a fundamental agreement, which were clearly set forth to Adm Sherman and Gen Spry; and taking into account the firm will to resist of Span nation, as well as advantages to US and its internatl responsibilities that econ and mil preparedness of Iberian Peninsula be strengthened, it wld be necessary to place this negot on fol bases:

(a) Concession by US of amt voted in Cong for econ, mil and tech aid to Spain, which already amts to minimum of $125 million.

(b) Study, on Span side, of texts of econ cooperation agrmt and Mutual Security Agreement presented by Amer Dels, to effect their modification on those points where it may be considered necessary.

(c) Engagement to use peseta counterpart of dollars received as aid to construction which, by mutual agrmt, may be considered appropriate for increasing our defensive mil strength.

(d) Postponement of execution of gen base agrmt until authorizations and econ assistance to meet the obligations derived from such an agrmt are available but allowing necessary study to complete text thereof to proceed. *Text ends.*

Comment follows in separate tel. [4]

MACVEAGH

[4] The comments under reference were transmitted in telegram 46, July 14. Ambassador MacVeagh recommended that the United States raise the amount of the aid package for FY 1953 by $30 million and make a long-term commitment to support Spanish defense efforts in order to meet the desires reflected in the Arguelles memorandum. (711.56352/7-1452)

No. 862

611.52/7-2352

President Truman to Generalissimo Franco [1]

WASHINGTON, July 23, 1952.

MY DEAR GENERALISSIMO FRANCO: Thank you for your letter of March seventeenth and for your expression of appreciation for the

[1] For background information regarding this letter, see Document 839. A reply similar to this letter had been drafted and presented by the Secretary of State to President Truman on May 14, but the President had preferred at that time not to send it. (Memorandum for file by Dunham, June 16, 1952; 611.52/6-652) But in July, the President learned that the Spanish Ambassador was wondering when a reply to

Continued

efforts being made by the United States on behalf of world peace and security.

I was interested in your comments concerning freedom of religion, although it is apparent that there are fundamental differences between the views you have expressed and the attitude of the United States on this subject. In this country the tradition of civil liberties, particularly freedom of speech, of assembly, of the press and of worship, is deeply ingrained, not by compulsion of circumstances but by the choice and conviction of the American people.

I was glad to have your views about the negotiations which are now in progress, and I share your hope that they will come to a successful conclusion. I anticipate, as you do, that they will lead to closer ties between the people of the United States and the people of Spain, who are already joined by many bonds of friendship and understanding. I believe it is to the mutual benefit of both countries to develop these ties and to find means for working together to help strengthen the defense of the Western nations against the danger that confronts us all.

Very sincerely yours,

HARRY S. TRUMAN

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the Franco letter of Mar. 17 would be forthcoming, and, not wanting to be discourteous, directed that another draft be submitted to him. (Memorandum from Bonbright to the Secretary of State, July 10, 1952; 611.52/7-2152) According to a handwritten notation on a covering memorandum to this letter, dated July 23, from Matthew J. Connelly, Secretary to President, to the Secretary of State, this letter was handed to Espinosa, the First Secretary of the Spanish Embassy, on July 28.

No. 863

711.56352/7-2552: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

TOP SECRET MADRID, July 25, 1952—11 a. m.

82. USNEG. Fol from San Sebastian via Madrid. In talk I had with FonMin July 17, he asked me how I felt our base negots are proceeding and I replied optimistically but said we now await Wash views re July memo handed Train by Arguelles (my tel 41 July 12 [2]). He then remarked Span views presented in that informal manner through Train because proper moment not yet arrived for discussion on govt-to-govt level (he said "between you and me"), thus confirming view expressed mytels 35 July 11 and 46 July 14 [3]

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[1] Repeated to Paris, London, and Rome.

[2] Document 861.

[3] See footnotes 2 and 4, *ibid.*

that no Span intention exists terminate negots if suggestions our memo found unacceptable. However, he added that such moment drawing near, since fundamental aspects beyond experts' competence and eventual view now taking shape, and said he wld like talk with me about these now, though cld only do so personally and not officially.

FonMin then proceeded develop viewpoint that negots as instituted have confused two logically distinct problems, one having to do with Spain's possibilities as factor in West def, and other with utilization of Span bases by US forces, "which is your principal object". He said he has not a doubt that proposed MSA agrmt may be worked out, with some modification, to mutual satisfaction, and added he understands US Govt is aware that, with some help on our part, Span industry can make substantial contribution to West def, as for instance in production of munitions. On other hand, however, he said that to grant use of bases wld at once change Span position from one of "neutrality" to one of "pre-belligerence", and this cld not possibly be undertaken without assurance of commensurate def means, which country does not now possess. He then immed spoke of other West nations being assured of support in case of attack through membership in Atlantic alliance, and particularly of Port, whose Azores agrmt [4] was concluded within supporting framework NATO, and clearly indicated not only that promise of greater mil aid than presently offered is necessary in his view for conclusion of desired base agrmt with Spain, but that conclusion of what he called "little agrmt", basic to present package and giving Spain some advance assurance of US support in case of war, cld be equally decisive in bringing our two points of view together.

I asked FonMin, in connection above, whether he indeed feels Spain cld remain neutral if Sovs attack West Eur, since I previously had understood the contrary, both as regards himself and Span mil auths. To this, he replied substantially. On contrary, we feel certain we cannot remain neutral, and even that Sovs may drop parachutists our territory immed in order take West from the rear. But Sov plans against us will certainly be far greater (presumably from bombing) if bases granted, and this increased jeopardy thus caused to Span nation cld not be covered by assistance limited merely to training and construction of bases themselves.

FonMin concluded by saying he looked forward to further talks after awaited views received from Wash. Meanwhile I report above "personal" reactions since believe them in fact more than personal

[4] The text of the Defense Agreement Between the United States and Portugal Respecting Use of Facilities in the Azores, Sept. 6, 1951, is in 5 UST (pt. 3) 2263.

and likely to foreshadow, at least in part, much official reasoning to be encountered later. Perhaps his "logic" can be met with logic of our own, but behind all this reasoning there wld appear something more fundamental which I believe shld not be overlooked. This is that we are definitely on the asking end in these negots. Spain is by no means so anxious to receive our aid as we are to get something by giving it. Furthermore, she is not at all anxious to have large numbers of fon mil on her territory in peacetime, and is in fact afraid of the internal problems which such sitn might produce. It wld indeed be mistake to imagine that her govt has any fundamental objection to cooperating with us. Its generous willingness to cooperate, without any *quid pro quo* whatsoever, in facilitating our Eur evacuation needs, wld amply prove this if proof were needed. But that matter cld be decided in secret and can be worked out in secret up to moment evacuation begins. In this case, no such advance secrecy is possible, and in view of extraordinary concessions we are asking, Govt must have *quid pro quo* sufficient to offset possible local opposition, particularly from Army which is its chief support. If one combines its feeling that to sign our presently proposed agreement would enhance Spain's jeopardy in war and increase her internal problem in peace with this fear of displeasing army which together with public has conceived exaggerated expectations from Adm Sherman's visit and more especially from subsequent highly publicized mission of Sufrin and Spry—its reluctance to proceed on such limited basis as we have proposed becomes, I think, understandable without need of involving other causes. Accordingly, problem at present wld seem to be to find some formula for base agrmt capable of meeting essential Span requirements for *quid pro quo* without going beyond what bases themselves are worth to us and this Kissner is trying to facilitate by his screening of Span mil estimates to discover how much is really essential. In addition some thought might, and I believe, shld be given to feeling of Spans that if asked to act as our allies they shld be assured of being treated as such. After some experience in talking and dealing with them here, it is my considered, if not original conviction that a modicum of attention to their pride is worth many dollars.

MacVeagh

No. 864

711.56352/8–252: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

TOP SECRET MADRID, August 2, 1952—7 p. m.

106. USNEG. ReDeptel 87 July 27. [2] Regret I failed make sufficiently clear that FonMin's remarks reported mytel 82 all stemmed from my mention of Arguelles' memo [3] and shld be understood in connection therewith. In using words "little agrmt", he was only repeating and qualifying, with the addition of "little", the suggestion of an additional agrmt basic to the present package originally made in Sect III of that memo and now again included in Vigon's memo to Kissner (see mytel 98 of July 30 [4]) forwarded today by desp. Essential idea appears to be that failure to advance in negots for base facilities here arises from "difference of treatment" accorded this country, i.e., lack of fundamental agrmt such as NAT provides for other Western nations granting us similar facilities. This idea, briefly elaborated by FonMin, is clearly stated in above-cited section of Arguelles' memo, and close similarity of language used by both FonMin and Chief of Staff, together with reliable indications that at least that section of memo is of Franco's own authorship, wld seem prove it of capital importance in top-level Span thinking at this time. Precise form which such agrmt might take in special case of Spain not yet specified by Spanish, who apparently awaiting Dept's reactions before committing themselves to details, but seriousness with which gen idea held here, as well as psychological implications discussed below, cannot be doubted, and, therefore, it may be worth careful consideration, especially as indications point to possibility concluding detailed econ and mil agrmts substantially not too different from those we have proposed if some formula satisfactory to both sides can be worked out in connection with this fundamental and essentially political requirement.

Believe Dept shld be advised this matter closely connected with widespread natl resentment over recent dipl boycott, of which our policy in refusing treat Spain defense-wise on equal basis with other Western nations is seen as survival and extension into an-

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[1] Repeated to Paris, London, and Rome.

[2] In telegram 87, the Secretary of State requested that telegram 82 from Madrid (*supra*) be clarified. (711.56352/7–2552)

[3] Transmitted in Document 861.

[4] Telegram 98 consisted of an inventory of documents handed Kissner by Vigon on July 30 at the eleventh meeting between the negotiators. The documents, then in the process of translation, were detailed lists of Spanish military requirements. (711.56352/7–3052)

other field. Overt reversal this policy on our part, through consideration of this country as partner in def effort rather than untouchable pariah possessed of facilities for sale, is apparently what is sought, with at least the possibility attaching thereto of our reducing present excessive Span demands to realistic proportions through granting such sop to local pride. This last is meaning of concluding sentences mytel 82 about which Dept inquires. Actually "pride" may be too feeble word to use in this connection, since nothing less than injured natl dignity is involved and influence of this as inhibitory factor in Span behavior can hardly be overestimated.

In view of all the above, though no official statement yet available re actual content envisaged for suggested "little agreement", perhaps a guess and suggestion of my own may be warranted. Thus to meet Span needs as presently expressed it wld seem that agrmt might recite determination of both parties to cooperate generally in def of Western civilization and specifically to render each other all appropriate assistance to that end within limits of their respective abilities as long as present danger of Eastern aggression lasts. It might further state that Spain will do its utmost to facilitate such use of her territory by US Air Force and Naval Units during that period as may be mutually found desirable under conditions to be jointly decided on, and also that US during that period will do its utmost with financial and mil means at its disposal to cushion impact of mutual def efforts on Span econ and provide training and equip for such Span forces as may, by joint agrmt, be called on to cooperate with forces of US. Finally, it might provide that detailed fulfillment of general obligations thus assumed by both parties will be assured and regulated by subsidiary econ and mil agrmts specifically drawn up in common for that purpose. Little, if anything, more wld appear necessary on present indications, and if it were found possible for us to propose a "little agrmt" along such gen lines as these, which I believe add nothing to our present intentions but only make them explicit, I feel the gesture might not only save our negots from what now seems possible stalemate but even advance them appreciably on road to success.

MacVeagh

No. 865

711.56352/7–1552: Telegram

The Acting Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, August 13, 1952—5:38 p. m.

141. USNEG. In considering Span memo Jul 9 (Embtel 41, rptd Paris 12, London 4, Rome 5 [2]) Emb's comments (Embtel 46, rptd Paris 13, London 5, Rome 6 [3]) and Vigon's comments to Kissner 7 (Embtel 48, rptd Paris 14, London 6, Rome 7 [4]) it is immed apparent wide gap exists between US and Span positions.

Span Govt maintains proposed amt of $125 million appropriated by Congress for aid to Spain will in no case be sufficient to satisfy obligations which wld arise for Span from an eventual agrmt between both countries under terms of Mutual Security Act of 1952 and proposed base agrmt.

On econ side Span Govt states assistance will be necessary which wld permit development of concrete program continued for several years. On mil side Span Govt states maximum figure of $37 million for mil aid is wholly insufficient; assurances of continued aid for period of several years wld be indispensable; and aid shld be in sufficient quantity; (a) to organize and equip divisions of Span ground forces necessary for adequate defense (totalling 22 divisions according to Vigon's statement to Kissner (Embtel 1372, rptd Paris 261, London 136, Rome 64 [5]), (b) to provide planes and anti-aircraft matériel sufficient for protection of natl territory against air attacks (100 AA battalions) and (c) to accomplish modernization of certain naval units and coastal defenses. Span Govt has prepared a list of extensive mil aid requirements for Span Air Force and Navy.

For its part Span Govt states it "wld be willing conclude an agrmt for construction and org of wholly Span bases whose eventual utilization by Amer forces in the event of emergency wld have to be subject of a later agrmt. Use of Span bases in time of peace by a fon power, inasmuch as it is not indispensable, conflicts with natl feelings and dignity and is considered harmful to harmony and understanding between our countries."

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[1] Drafted by Dunham and cleared with Parsons, Bonbright, Perkins, Foster, Ohly, Hopkinson, Matthews, and Byington. Repeated to Paris, London, and Rome.

[2] Document 861.

[3] See footnote 4, *ibid.*

[4] Telegram 48 reported on a conversation of July 9, between Vigon and Kissner, during which Vigon reemphasized some of the major points of the Arguelles memorandum of July 9. (711.56352/7–1552)

[5] Dated June 21, telegram 1372 contained the text of a Spanish memorandum specifying the amount and types of military equipment desired, in compliance with Kissner's request of June 9. (711.56352/6–2152)

Span Govt furthermore indicates in its memo "inability to advance in detailed negots if a basic agrmt has not been reached previously." From Arguelles' comments (para III Embtel 46) we understand this concept which you report was probably injected by Franco himself means a "mil alliance" presumably paralleling multilateral regional pacts of which US is party. We assume this concept includes in addition long term commitment re aid.

As an alternative to foregoing Span position, Span Govt proposes, "if it is not within the power of US Del to meet the inescapable obligations for a fundamental agrmt" that: (1) US concede $125 million aid to Span; (2) Span Govt wld study text of econ and mil aid agrmts; (3) counterpart wld be used to increase Span defensive mil strength; and (4) execution of gen base agrmt wld be postponed "until authorizations and econ assistance to meet the obligations derived from such an agrmt are available but allowing necessary study to complete text thereof to proceed."

In short as we understand Span Govt's position, it requests vast mil aid; it expects mil alliance with US; and re bases, Span Govt rejects right of US use in peace time and makes war time use subject to later agrmt. Span Govt's alternative proposes immediate extension of $125 million of aid appropriated by Congress without commitment to accept any of US proposals.

We must conclude therefore that divergence between US and Span positions is such that gap could not be bridged only by relatively small amount of additional dollar aid this FY, beyond $125 million already appropriated by Congress even if we cld [6] provide it which we cannot. Resolution of impasse must result from similar approach by both govts to basic question of nature and scope of arrangements to be made between them as well as better understanding by Spanish of limit of funds available for aid to Spain and conditions under which they may be used. Consequently in replying to Span memo you shld stress fol points:

(1) US Govt believes type of arrangements to be concluded between US and Spain must be considered in perspective of strengthening def of West—and particularly Western Europe—against possible attack. Fundamental objective of strengthening common def of Western Europe is of direct value to Spain since real def of Spain, against most probable direction of attack, lies in most effective def Western Europe as far to East as possible. Under this concept Spain can make valuable contribution of mutual benefit to strengthening def of this area at this time by granting US use of mil facilities in Spain.

(2) We doubt addition US use bases in Spain wld appreciably increase risk Spain's involvement if war with USSR shld come. Spain

[6] Above "cld," the word "wished" was written in longhand.

will inevitably be involved due Spain's strategic location and, as Gen Vigon has stated, due Span's anti-Communist position. Moreover presence our forces on Span mil facilities and our intention provide for def these mil facilities wld provide Span with highly significant net addition to its defenses at same time valuable Span contribution is made to common def.

(3) Western nations, and primarily NATO and EDC, are confronted with mil problem of providing adequate def for West, total matériel requirements for which exceed mil equipment available now and in next few years. Limited equipment as available must therefore be provided on priority basis. Great bulk of it is thus going to those countries whose location places them in front line and who are actively participating in strengthening common def and particularly def of whole of NATO and EDC area. Extension of mil assistance based on this principle cannot therefore be properly considered as discriminatory toward Spain. Rather it is pure matter of mil necessity. Greatest firepower must be placed soonest in hands those who must use it first and have undertaken to do so for common def. As matter mil necessity we cannot sacrifice earliest and most effective def of forward areas order provide for contingent def rear areas. Thus all US mil aid programs must be formulated in light of our world-wide security obligations and active defense against Communism, for example Korea and Indochina.

(4) While we fully understand and appreciate Span Govt's desire to build up Spain's own defenses, foregoing considerations--aside from question of amount of funds available this year—do not permit extensive program of mil assistance desired by Span Govt. Foregoing considerations are, equally, integral part of development mil aid program for Spain. Realistic appraisal of world-wide mil situation in gen and security of Western Europe and Spain in particular indicates strengthening common def most effective way US can further Span def interests now; and that Span can best contribute to this effort through cooperation with US Govt along lines of proposals submitted by US Reps.

(5) Agrmt re US use mil facilities in Spain, with adequate provisions for effective utilization by US in peace and war time is basic to arrangements to be made between US and Spain. Mutually satisfactory provision for such use of mil facilities has been made in other countries and has helped to strengthen understanding and good will as well as providing extremely valuable facilities to strengthen Western defense. Unwillingness on part of Span Govt to reach such mutually satisfactory agreement wld not be understood in US and wld be detrimental to efforts to provide for the common defense.

(6) Fundamental purpose of US fon aid program is to further mutual security of free world by building strong def against aggression through both mil and econ aid to friendly nations. Such aid is furnished to all countries, participating in Mutual Security Program, in support of common def objectives and in accordance with requirements of Mutual Security Act 1952. (See Train memo Apr

19 [7] and MS Act 1952 [8]—particularly new sub-sec 7(h)—for further elaboration.)

(7) $125 million has been appropriated by Cong, which may be used in Pres's discretion for econ, tech and mil aid to Spain. Important to note that assistance to Spain is provided to carry out provisions of Mutual Security Act and is therefore part of Mutual Security Program for strengthening common def. Basis for US aid is mutuality of effort. This concept, although not reflected in Span proposals, must be fundamental part Span participation in Mutual Security Program. Realistic appraisal must be made in this sense of Span contribution to common def effort and agrmt reached re Span effort as basis for extension econ, tech and mil aid. $125 million authorized by Cong for aid to Spain is total amt which wld be available this FY if necessary agrmts are reached. After this phase Span desire and ability to help themselves in contributing to common def will determine justification for program of aid for Spain.

(8) Proposals made to Span authorities by US Reps re mil facilities and econ, tech and mil aid are based on fundamental principles of Mutual Security Program. We have set forth these proposals to Span authorities in completely frank and open manner stating clearly what we are able to do and outlining policy and other considerations on which our proposals are based. It is our desire to complete arrangements between two govts which are mutually beneficial and in common interests both nations and basic policy strengthening Western def. We believed proposals made to Span authorities are soundly based on these purposes.

(9) While US Repts have suggested division of aid funds for Spain between types of assistance, this proposed division can be revised by agrmt between reps two govts. Feel sure Span authorities understand purposes and objectives US aid program as stated Train memo Apr 19 (see also Deptel 947 rptd Paris 6483 [9]) and appreciate supply shortages and other considerations which affect division and programming of aid. However we believe sound program econ, tech and mil aid can be developed in line with purposes and objectives US aid policy and in support proposed arrangements between US and Spain.

(10) While no firm assurances re amts and types of US aid in future years can be given Spain or any other country, continuing US support of purposes and objectives Mutual Security Program and US assistance to participating nations in past years clearly indicates policy of US Govt this regard. Such programs of aid as may be undertaken in succeeding years with Spain wld be developed, as they are with other countries, in accordance with normal procedures of US Govt and provisions established under econ and MDAP agrmts. You shld state "In this connection, US Govt considers that relations between the US and Spain shld be on a continuing friendly basis in support of the policy of strengthening the def of the West. This policy wld include support of Span def efforts for this

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[7] Document 851.

[8] Mutual Security Act of 1952, P.L. 82-400 (66 Stat. 141), June 20, 1952.

[9] Document 854.

purpose by the provision of reasonable mil aid to Spain over a period of several years, subj to limitations imposed by Congressional appropriations, existing NATO priorities, the exigencies of Korean sitn, the status of supply and the internatl sitn."

We leave to ur discretion manner in which you wish to present these considerations to Span Govt. However we believe foregoing suggestions contain fundamental points of our position and coincide with ur understanding and views of US position re negots. Order avoid any possibility misunderstanding or misinterpretation ur reply Span memo you may wish consider submitting Span translation with ur memo.

Fol FYI:

Re para V (B) Embtel 46, view heavy Cong cuts in fon aid appropriations, we are not in position offer any increase over $125 million for aid to Spain. Incidentally $25 to $30 million program mil aid a year for two or three years mentioned Deptel 1076 [10] wld if undertaken be financed for this FY out of $125 millions; i.e., addtl $25 million recently authorized by Cong wld be used for mil aid this FY over and above $12 million listed in original breakdown of $100 million thus making total of $37 million for mil aid this FY; addtl amts wld then have to be requested for succeeding years but not for this FY. Also view many important considerations which enter into division aid funds between econ, tech and mil assistance and many considerations affecting programming of each type aid, we do not believe Spans shld be asked to recommend division of aid. Rather we believe this shld be worked out jointly (see para 9 above).

Re Span desire for mil aid you may wish in ur discretion to impress upon Span necessity of using Spain's munitions-producing capabilities for its own use instead of diverting Span mil equipment or supplies to other countries (e.g., see Milatt RPT-379-52 of Jun 11 [11] and previous and para 3 Embdes 32 July 10 [12]). You might also wish suggest conversion of plants producing excess equipment or supplies, to other mil production wld also assist in mtg Span mil needs.

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[10] Document 859.

[11] Not found in Department of State files.

[12] Despatch 32 dealt with the possibility that Spain might sell arms to Guatemala. (420.528/7-1052)

Embtel 93 [13] (rptd Paris 23, London 18, Rome 12) now being given careful consideration in connection with review DMS D–7 [14] negot position which will provide revised position re Span assistance program for negot if and when major difficulties discussed above are satisfactorily resolved.

BRUCE

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[13] Dated July 31, telegram 93 was a response to telegram 36 to Madrid, July 11, in which the Secretary of State noted that the program for economic aid worked out by the MAAC and reflected in DMS D–7 had been rendered obsolete by the addition of $25 million by Congress to the available aid funds and by the recognition that Spain now needed fewer dollars than originally thought for the economic sector. The Embassy in Spain was asked to present its ideas for the revision of DMS D–7. (711.56352/7–1152) Telegram 93 from Madrid counseled against reducing too drastically the $50 million commodity import program in favor of more military end-item aid, noting that inflationary pressures in Spain persisted despite good harvests, due to indigenous investment programs bearing no relationship to the projected base construction, and observing that a reduction in commodity imports would correspondingly reduce the amount of counterpart necessary for base construction, which would accordingly have to be made up by additional U.S. expenditures. (711.56352/7–3152)

[14] Document 846.

No. 866

711.56352/8–1652: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET MADRID, August 16, 1952—3 p. m.

155. USNEG. Urtel 141 Aug 13. [2] On basis penultimate para of prelim remarks, feel Dept has perhaps not completely understood Span present position.

Specifically, (1) Span Govt is not "requesting vast mil aid" at this time, but has only stated, at our request, what it believes necess for adequate natl def if bases utilized by US. Actually, Kissner's full screening this connection (see mytel 103 Aug 1 [3]), which now practically ready for forwarding, [4] not only indicates actual needs very much less than stated but also that aid to such reduced extent, if phased over 5-year period, might both be within US possibilities and acceptable to Span. (2) Span Govt does not "expect mil alliance with US," but only desires, for home consumption, some explicit

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[1] Repeated to Paris, London, and Rome.

[2] *Supra*.

[3] Telegram 103 reported that Kissner wanted to undertake an exhaustive analysis of Spanish military requirements as submitted by Vigon. (711.56352/8–152)

[4] Not found in Department of State files; it was forwarded to the Chief of Staff, U.S. Air Force, on Aug. 20. For a brief description of the report, see Document 868.

statement covering basic fact, which implicit in proposed agrmt are that US and Span engaging in cooperative effort "on continuing friendly basis in support of the policy of strengthening def of West". Dept will realize that merely telling Span Govt privately that "US Govt considers relations between US and Spain" should be on such basis cannot satisfy need which Span Govt feels most urgent to justify publicly its entry into detailed agrmts affecting sovereignty. (3) Span Govt has not "rejected" US use of bases in peace time but only indicated special difficulties in meeting proposals this connection. (4) Finally Span Govt does not propose that $125 mil aid be extended "without commitment to accept any of US proposals". On contrary, it has indicated willingness to sign an econ aid agrmt with "modifications only on those points where it may be considered necess", and has shown same attitude as regards MDA agrmt. It is fully aware that in signing such agrmts it will assure definite obligations.

In general, we wld emphasize that entire Span memo, to which answer now proposed, was intended to be revealing of Span's thinking but was also expressly informal and suggestional in character. Positive terms such as "request", "expect", and "reject" are consequently not appropriate, way is still open to ultimate composition in friendly official atmosphere on all points where differences exist. However, what is now legitimate bargaining shld not be allowed to degenerate into controversy. Span Govt, so far, is making no "demands", which might justifiably arouse US indignation, but only seeking by argument to secure best possible terms. Impression to contrary now being created by press comment, concerned in and dedicated to other than responsible governmental purposes, shld receive no credence.

In view of above and forthcoming mil recommendations we shld be glad to know whether Dept wld wish to give a somewhat different slant to its presently proposed communication. On receipt its advice this connection, it [*we*?] wld propose draw up communication as informal memo similar to that originally handed us and deliver this personally to FonMin at earliest opportunity. [5]

MacVeagh

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[5] In telegram 163 to Madrid, Aug. 22, Acting Secretary of State Bruce assented to MacVeagh's suggestion that a somewhat more conciliatory reply to the Arguelles memorandum be drafted, and solicited the Embassy's advice for the revision of the response set forth in telegram 141. (711.56352/8–1652) The result was the memorandum enclosed with Document 871, which was finally agreed upon after several exchanges between Washington and Madrid.

No. 867

711.56352/8–2152

Memorandum by the Chief of the Mutual Security Agency Economic Group in Spain (Train) to the Deputy Director of the Mutual Security Agency (Kenney) [1]

SECRET [MADRID,] August 19, 1952.

Subj: Review of Spanish Negotiations—July 1951 to date.

[Here follow eight pages dealing with the background and progress of the Spanish negotiations.]

General Comments

I believe that the negotiations to date indicate clearly that high level consideration in Washington should again be focussed on what the objectives of our national policy towards Spain should be as well as the methods for implementing such policy. I believe that any government asked to cede base rights to a foreign power could have been expected to insist on a "*quid pro quo*" which, in its opinion, represented a reasonable evaluation of the privileges requested as well as to ask that it be treated on a basis of equality with other nations with which the U.S. has similar arrangements. Congress happened to vote $125 million for military and economic aid so this sum then became our offering price for the right to construct bases on Spanish territory. The amount might well have been lower or higher and it would still have borne no relation to what might be reasonable from the Spanish viewpoint. The point has frequently been made that the bases themselves would be an asset to Spain. This loses sight of the fact that, if hostilities ever start, these bases will be used by the U.S. Strategic Air Force for offensive operations against an enemy. The Spanish can never hope to have heavy bombers and thus would never require the type of installation necessary to service and support them. Thus far it would appear that our current thinking finds no place for the Spanish military potential in relation to the security of the U.S. or the defense of Western Europe. It seems to me to give more weight to the opposition of some of our NATO partners than it does to an evaluation of the positive contribution Spain could make to our foreign policy objectives. Thus, the Spanish contribution is limited to providing a good location for air bases and fails to take into account Spanish national pride and legitimate desires to make positive contribution to Western European defense. Franco has given definite indications that, while he appreciates that Spain cannot now expect to be ac-

[1] Kenney arrived in Madrid on Aug. 14.

cepted in NATO, he fully realizes that Spain must be associated with NATO when the time arrives—probably under the stress of war—that Spanish membership in NATO will be welcomed. In any event, the strictly limited approach we have attempted is clearly unacceptable to the Spanish Government and I believe that it would prove to be equally unacceptable to the Spanish people.

No. 868

752.5 MAP/9-552

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Deputy Under Secretary of State (Matthews) [1]

SECRET [WASHINGTON,] September 5, 1952.

Subject: Spain: Report from General Kissner and Probable JCS Review of US Military Policy toward Spain.

1. General Kissner, Chief, JUSMG (Spain), has forwarded a letter to the Chief of Staff, Air Force, enclosing Spanish lists of military requirements, together with JUSMG comments and recommendations. [2] A summary of the report is attached, [3] together with comments from the working level at Defense. The following is a summary of the JUSMG cost estimates of the Spanish requirements and the estimated cost of the military assistance recommended by the JUSMG.

	Spanish Requirements	*JUSMG Recommendation*
Army	$348,631,000.00	$213,763,000.00
Navy	302,000,000.00	100,000,000.00
Air Force	709,979,952.00	126,991,692.00
Total	$1,360,610,952.00	$440,754,692.00

2. General Kissner stated that he had the impression that the Spaniards would "probably agree to conclude a Base Agreement satisfactory to us if assured of a military equipment program considerably less than the money value of the items they have listed as 'indispensable' for the defense of their territory." He suggested

[1] Drafted by Millar.
[2] None found in Department of State files; the Kissner letter was dated Aug. 20.
[3] Not printed; it was a technical breakdown of the requirements listed below.

that the Air Force review the JUSMG analyses and consider recommending to the JCS that:

(a) Certain tasks and obligations in Western defense be planned for Spain; and
(b) As a result thereof, that a plan be evolved, to provide over a period of four or five years, the reasonable amount of equipment for each Spanish service which JUSMG was recommending.

Although not explicitly stated in recommendation (a), the question of seeking a Spanish commitment to assume a specific task in Western defense was raised by the Chief of the Army Section, JUSMG, and thus by implication may be raised by recommendation (a).

As an example of a specific task for the Spanish Army, General Kissner mentioned the use of one or two Spanish corps outside the Peninsula in the event of hostilities. In this connection also, he stated that General Vigon had indicated that the Spanish troops stationed at the ends of the Pyrenees might well be projected north to interdict enemy columns.

3. According to the working level at Defense, a paper [4] is being cleared through Air Force transmitting the Kissner report, without comment, to the Joint Staff of the JCS for comment and recommendations on the two suggestions made by General Kissner. At 3:00 p. m., September 3, this transmittal paper had been sent for clearance to General White, Deputy Chief of Staff for Operations. If he clears the transmittal paper, the report might go directly to the Joint Staff. Possibly he might send the paper and the attached report to Chief of Staff, Air Force, for clearance. We expect to learn informally what action General White takes, and if the report reaches the Joint Staff, to which Committee it is assigned. The Joint Staff already has copies of the report on an informal basis. The working level at Defense estimates very roughly that three to six weeks will elapse before the JCS will take action. [5]

4. It is apparent that this report raises some important questions related to US plans, US military requirements in Spain, availability and allocation of military end-items, US relations with NATO countries, and the development of Spanish armed forces and their eventual relationship to NATO. If the Department of Defense decides that the base facilities presently sought in Spain are still required; if it appears that a military aid program along the lines of the one that has been recommended is practical and desirable both militarily and politically; and if it appears that it would get us the

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[4] Not found in Department of State files.

[5] According to a letter from Lovett to Acheson, Dec. 8, the JCS did not take action until 3 months had elapsed; see Document 875.

desired facilities on substantially the desired terms, I believe that we should approach the Spaniards on this basis. If we proceed accordingly and if we are successful in obtaining the desired Base Agreement, such improvement in the Spanish armed forces as would result from our military assistance would be an anchor to windward.

5. It is recommended that:

(a) You make it known to the JCS or the Director of the Joint Staff that the Department is prepared to advise and consult during the Defense study of the Kissner report. (The working level of the Department consulted with Admiral Campbell of the Joint Logistic Plans Committee on previous aspects of our policy towards Spain.)

(b) You make known to the JCS that the Department does not believe the US is in a position at this time to seek a commitment from Spain regarding a military assignment outside Spanish territory.

(c) You suggest to the JCS that in connection with consideration of the Kissner report it would appear desirable to review the US requirement for base facilities in Spain, in view of developments in the Spanish negotiations and in view of the progress in our European and African base build-up.

No. 869

711.56352/9-852

Memorandum by the Director of the Office of European Regional Affairs (Moore) to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

TOP SECRET WASHINGTON, September 8, 1952.

Subject: Spanish Base Negotiations

I refer to the memorandum of Sept. 5, 1952 [2] from you to Mr. Matthews, subject, Spain: Report from General Kissner and Probable JCS Review of U.S. Military Policy towards Spain. RA supports the recommendation in para 5 (a) of the referred paper that we should let JCS know that the Department is prepared to advise and consult during the Defense study of the Kissner report. In view of the implications of this report, RA would like to participate in any discussions with the Department of Defense.

With reference to the recommendation in para 5(b) that we advise the JCS that the Department does not believe that the U.S. is in a position at this time to seek a commitment from Spain re-

[1] Drafted by Wolf and Vass.

[2] *Supra.*

garding a military assignment outside Spanish territory, RA is not persuaded that this conclusion is correct. This matter is discussed more fully below.

The logical approach by complete JCS review of the Spanish problem at this stage of the base negotiations would, it appears to us, commence with the determination of whether or not there was some role which the Spanish armed forces could perform connected with the defense of the West. In view of the fact that it is our overall NATO strategy to hold as far to the North and East as possible, a mission for the Spanish armed forces of holding behind the Pyrenees and not being involved in any hostilities unless we were forced back to the Pyrenees, would appear to be giving Spain a negligible role in the defense of the West. A concomitant to this aspect would be the fact that equipment and dollars which might otherwise go to forces which will be engaged in the opening days of battle would be held in reserve for forces which might never be engaged in battle. Not only is this aspect one which might create problems vis-à-vis our NATO partners, but it indicates a lack of faith in our ability to hold in Germany. Had this proposal been made and were it to be implemented prior to the NATO build-up, it might have been quite realistic. As it is, implementation will occur in 1953 and 1954 when the NATO forces presumably will have obtained some reasonable degree of strength, and the reason for creating a Pyrenees line of defense appears to have been dissipated.

Whether Spain can perform any military mission outside of the Spanish Peninsula is another question. Of course that mission would have to be integrated with the thinking of our NATO Commanders with respect to NATO areas or with respect to other appropriate Commanders with respect to non-NATO areas. Even though such planning has not gone forward, it appears to us that some sort of commitment should be sought from Spain that she will make her forces available for association with the forces of the Western World in the defense of the West under the concept of a forward strategy. To fail to do so would not only permanently relegate Spain to a role of an outsider with respect to the defense of Western Europe, blocking our long-range policy as set forth by NSC, but would result in Spain going no further than to undertake the defense of her own territory—which she is already bound to do—in return for which she would receive assistance from us.

The next aspect of the problem is the strategic value placed upon the proposed complex of Spanish bases. This is tied into a multitude of political-military matters with which you are familiar. In the final analysis, the military value to be placed upon these bases will be a very strong determining factor and all of the implications

connected therewith would be thoroughly explored at appropriate levels.

Finally, we have the problem of the amount of aid, viewed from the point of view of both dollars and equipment, which would be involved. Clearly the JUSMG recommendations for the Army list would not begin to cover equipping 22 Divisions from our point of view. We have obligated an average of $120 million for each NATO division we are supporting through MDAP, and the Spanish deficiencies are certainly no less than these. It is apparent that the 213 million dollar list would be only the first slice of a large and continuing program, were we to determine that there was a role actually to be performed by 22 Divisions. As General Garvin has remarked, it is an extremely high price to pay for bases only. It is also too low a price to pay for an efficient Army force.

Faced with the shortage of funds and equipment which confronts us for at least the next two years, and faced with a possible continuing requirement for further equipment and further forces for NATO after 1954 to support our agreed NATO plans it appears that we must weigh our requirement for these bases against the requirement of NATO forces for this equipment or its equivalent in value.

RA believes, in light of all these factors, that this matter should be drawn to Mr. Matthews' attention along the foregoing lines as a supplement to your memorandum of September 5. It is also believed that joint staff work at the working level between representatives of the Joint Staff Planners and of the Department should be tentative only, with final consideration of the matter being the subject of discussions between Mr. Matthews and the Joint Chiefs of Staff.

No. 870

711.56352/9-2652

The Ambassador in Spain (MacVeagh) to John Y. Millar of the Office of Western European Affairs [1]

SECRET
OFFICIAL–INFORMAL

MADRID, September 26, 1952.

DEAR MR. MILLAR: Your letter of August 29 [2] has just reached me. I am glad Colonel Lennhoff had a chance to talk with you, and

[1] Circulated to Perkins, Knight, Williamson, Bonbright, and Dunham.

[2] In his letter, Millar reported a conversation which he had held with Colonel Lennhoff on Aug. 27, during the course of which the apparent differences between

Continued

think he correctly put his finger on the question of intent. However, our negotiations, properly speaking, have not yet begun, and consequently they could not have "progressed favorably up to June 1" and deteriorated after that. So far all that has happened has been discussion between the military and economic experts aimed to prepare the ground. These preparatory talks have been useful in developing certain views on both sides. They have clarified for the Spaniards the ideas we have in mind and in so doing have drawn from the Spanish Government a coordinated but informal top-level reaction, the so-called Arguelles memorandum. [3] That memorandum contains more than what has been or could be discussed on the technical level; and together with the informal answer which is now awaited from the Department, should form a basis for our eventual talks in the Foreign Office which alone can properly be termed "negotiations". I mention, and indeed stress, all this because I feel the military often tend to talk as if they themselves were "negotiating a base agreement", which helps prevent people—including the press and sometimes even ourselves—from seeing the forest for the trees. The Foreign Minister summed up the real facts when he referred, as I reported in my telegram No. 82 of July 25, [4] to the moment drawing near for discussion on the government-to-government level "since fundamental aspects beyond experts' competence and purview are now taking shape."

These fundamentals, namely (a) the question of what exactly is the relationship between us and Spain which would justify the latter's concluding such bilateral executive agreements as we propose, and (b) the question of whether military end items can be included as well as training equipment and instruction in our aid to Spain, are what I have tried in my telegrams to present to the Department as together likely to constitute the core of our problem once we get to the council table. In these telegrams, I have also endeavored not only to show the capital importance which the Spanish attach to these fundamentals, but also to explain their reasons for doing so. Incidentally, you should not imagine, as Colonel Lennhoff says both you and Mr. Dunham do, that some of our recent policy telegrams dealing with the negotiations were not written by me personally but only signed with my name, owing to my absence in San Sebastian. Since my arrival here, all policy telegrams from this Mission have been written by me, though my officers may have submitted drafts in whole or in part, and are indeed encour-

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Washington and Madrid, as expressed in Documents 865 and 866 were discussed. A summary of that discussion was enclosed. (Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, July-Sept. 1952")

[3] Transmitted in Document 861.

[4] Document 863.

aged to do so, and as regards such telegrams dealing with the negotiations, they have been built up with the aid of Train and Kissner and often with that of White and McCaffery as well, but in their final form have all been subjected to my ideas, cast in my language and presented as our joint views in such form as I thought best. My being in San Sebastian involved no departure from this procedure since I came back to Madrid no less than six times during my supposed stay in the north.

In expressing our views, as distinguished from simply reporting facts, we may have been right or wrong in these messages. But it occurs to me that when it comes to estimating whether the Spanish will or will not insist finally on any specific point in our future talks, we here may be in a better position to guess right than someone in Washington. Lennhoff said you maintained to him that we were wrong in interpreting the Arguelles memorandum as we did in my telegram No. 155 of August 15 [*16*]. [5] You feel, he said, that the memorandum means that a "little agreement" and vast military aid are matters of *sine qua non* in the Spanish position, whereas we feel that the introduction of these points means only that they must be considered in the negotiations and that some way of accommodation must be found in their regard. You may be right, but our impression from our personal contacts here is that there is considerably more flexibility in the back of the Spaniards' mind on these matters than, for negotiating purposes, they are willing now to reveal, and that the very manner in which the Arguelles memorandum itself was presented is an indication that what it says should not be taken by any means as the final Spanish word. Proof, of course, will be provided in the eating, and the question might be classed as purely academic in advance of our finding out at the council table what the Spanish do really hold out for, if it were not for the advisability of our being prepared in advance to take advantage of any flexibility which may develop on their part.

This, of course, is tantamount to saying that we must have some flexibility ourselves to match what the Spaniards may show, and I must confess—to conclude this long letter—that I have less hope of our willingness to modify our position than I have of theirs to meet us on some middle ground. However, one must do one's best, and when I see Mr. Perkins next week, [6] I shall tell him I feel that

[5] Document 866.

[6] Perkins, who departed Washington on Sept. 21 for consultations in London, traveled to Paris on Sept. 29, where he met Draper, Anderson, MacVeagh, Kissner, Garvin, and Train. The discussions, which occurred on Sept. 29, concerned the reply to the Arguelles memorandum of July 9. An account of the conversations, along with a request for final clearance from Washington of the proposed reply, are in telegram 1975 from Paris, Sept. 30. (740.5/9–3052)

when we get to actual negotiations we should have some latitude as regards satisfying Spanish insistence on the questions cited above which they consider basic. I shall say that this does not mean we need go anywhere near what the Spanish have so far been advancing as necessary from their point of view. Some form of statement of intent may cover the "little agreement" problem, and it may well be that a very drastic scaling down of the military end-item assistance they now talk about could also be effected, if some similar accommodation regarding principle were reached in this matter as well. In the one instance, we have Spanish national pride to consider, and in the other, Franco's need for giving the Army, which is the main support of his regime, at least some grounds for hope, and in both it is not lack of good will but simple political necessity which dictates the Spanish Government's position. I am perfectly aware that if we are to provide any military end items to Spain at all, we must revoke the assurances hitherto repeatedly given to the British, and perhaps also to other members of NATO. But this would seem inescapable now that we have come to know the Spanish attitude better than was possible at first, and if we want our negotiations here to succeed. On the other hand, should we concede in principle that we are treating Spain as an equal and that we are willing to aid her with end items as may be found feasible, the door would be open, as I believe, to almost any limiting arrangements we might find it necessary to make regarding what amounts of such items would be provided and in what fiscal years. [7] The Spanish understand very well our dependence on congressional appropriations and the many priorities already attaching to the distribution of our supply potential. What sticks in their craw is any sort of blanket discrimination against them. With such removed both as regards the political and the military aspects of these negotiations, the rest should not be too difficult.

Sincerely yours,

LINCOLN MACVEAGH

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[7] In the margin next to this sentence, the following questions were penciled in: "Purpose? To get bases? For def. Spain? For use Spanish forces in WE?"

No. 871

711.56352/10-952

The Ambassador in Spain (MacVeagh) to the Spanish Minister of Foreign Affairs (Martín Artajo) [1]

SECRET MADRID, October 7, 1952.

MY DEAR MINISTER: I enclose herewith the memorandum about which we spoke last night, [2] with copies for Señor Arguelles and General Vigon. I am very glad to be able to give you this document at last, and also happy that I can assure you that the long delay has not been caused by any wish in Washington to postpone decisions but solely by the necessity of coordinating the views of the many governmental agencies involved.

As you will see, the memorandum starts out by taking cognizance of a matter which you and I have discussed together, namely, the absence in our original proposals of any supporting political basis such as NATO affords to countries which have hitherto granted facilities on their territory. I have brought the importance which you attach to such a basis very strongly to my Government's attention, and a way has been sought whereby it might be supplied. Accordingly, the suggestion is made, which I hope you will find pertinent and acceptable, that we should prefix in publishable form to the agreements we arrive at, a statement of intent as a matter of accord between our two governments, giving overt expression to our friendship and joint purpose and consequent validity to any pursuant mutual arrangements on the technical level.

Also, I hope you will note, as a matter in which I have been specially interested, that the memorandum leaves out any question of principle in connection with supplying the Spanish military. No distinction is made or implied between Spain and any other country collaborating in Western defense. The only limiting factors in this connection are of a practical nature, having to do with availability of funds and supplies and such priorities as are or may be necessitated by the general defense picture. Actually, our intention in principle is to give Spain, along with others, whatever we can which will help contribute to that general picture. But in view of our practical limitations this intention must not be understood, and I am sure you will not so understand it, as implying more than

[1] Transmitted as Enclosure 1 to despatch 261 from Madrid, Oct. 9. A copy of the letter was handed to Martín Artajo on Oct. 8.

[2] During this meeting, MacVeagh informed Martín Artajo of the arrival of the response to the Arguelles memorandum, and Martín Artajo revealed that Franco had placed him in personal charge of negotiations. A record of this meeting is in telegram 295 from Madrid, Oct. 8. (711.56352/10-852)

we can undertake. In particular, while it has been helpful to have the lists of desired military items obtained from General Vigon, these cannot be regarded as having any direct relation to what the United States can, in fact, supply. That problem, of what we can supply, is still one to be determined as regards even the near future, if not the actual present, and as time goes on will have frequently to be determined again as the world situation develops. Also, the places in which our available aid can best be applied here in Spain in furtherance of the joint effort will probably have to be repeatedly considered, but these are technical matters which should not be too difficult of solution once fundamentals have been established. At the present moment, it is my hope that with a common expression of accord agreed on as a basis for our collaboration, and with a full understanding of the practical limitations affecting our intentions, your experts and ours will be able to work out the details of the proposed agreements in a manner sufficiently satisfactory to both sides to enable us to sign and move ahead together.

In my personal view (since you have also talked personally to me on this subject) there is more at stake in this matter than merely some base rights for us and some equipment and financial aid for you, though these things in themselves are important enough. There is the opportunity presented us of evolving a closer association between our two countries than has even before existed in their history, and one which, given the goodwill which I believe exists between us, could be of inestimable and growing value to both Spain and America, and even to the whole world.

With all due respect, I am, my dear Minister,

Always devotedly yours,

LINCOLN MACVEAGH

[Enclosure]

Memorandum by the Ambassador in Spain (MacVeagh) to the Spanish Minister of Foreign Affairs (Martín Artajo)

SECRET MADRID, October 6, 1952.

The informal memorandum which Sr. Arguelles handed to Mr. Train on July 9, [3] as well as the statement which General Vigon presented to General Kissner on July 30 [4] have been carefully and

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[3] Transmitted in Document 861.

[4] Dated July 29, the Vigon statement reiterated the arguments made in the Arguelles memorandum of July 9. It was transmitted in despatch 97 from Madrid, Aug. 1. (Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, July-Sept. 1952")

sympathetically reviewed. These documents, together with the various conversations which the negotiating groups representing the two countries have had, lead to the belief that the divergences between the United States and Spanish positions is not such as to prevent a mutually satisfactory solution. In this connection, the following is presented in reply to the questions raised concerning future relationships between the United States and Spain and the continuing nature of United States assistance to Spain in the event that mutually satisfactory pertinent agreements are concluded between the two countries.

(1) The United States Government considers that relations between the United States and Spain should be on a continuing friendly basis in support of the policy of strengthening the defense of the West. This policy would include support of Spanish defense efforts for agreed purposes by the provision of assistance to Spain over a period of several years, subject, as in the case of United States relations with all friendly countries, to limitations imposed by Congressional appropriations, existing priorities, the exigencies of the Korean situation, the status of supply and the international situation. Thus while no advance assurances regarding the amounts and types of aid in future years can be given to any country, continuing United States support of the purposes and objectives of the Mutual Security Program and programs of assistance to participating nations in past years clearly indicate the policy of the United States Government in this regard. Such programs of mutual aid as may be undertaken with Spain in succeeding years would be developed, as they are with other countries, in accordance with the normal procedures of the United States Government and the provisions established under Economic and Mutual Defense Assistance Agreements.

(2) The fundamental purpose of the Mutual Security Program is to further the peace and the security of the free world by building a strong common defense against aggression through continuous and effective self help and mutual aid. Such aid is furnished to friendly nations participating in the Mutual Security Program as may be required to support common defense objectives and in accordance with the requirements of the Mutual Security Act. It is important to note that such assistance to Spain as may be provided would be intended to carry out the provisions of the Mutual Security Act and would, therefore, be part of the Mutual Security Program for strengthening common defense. The basis for United

States aid is mutuality of effort. This concept is fundamental to the participation of any country in the Mutual Security Program.

(3) Accordingly, it is believed that the type of arrangements to be concluded between the United States and Spain must be mutually considered in the perspective of strengthening the defense of the West—and particularly Western Europe—against possible attack. The strengthening of the common defense of Western Europe contributes essentially to the real defense of Spain, since the most probable direction of attack would be toward that quarter. Under this concept Spain can make a valuable contribution at this time to its own defense as well as that of Western Europe by granting to the United States the use of military facilities in Spain intended to further the common defense capabilities.

(4) Furthermore, a realistic appraisal of the worldwide military situation, the security of Western Europe in general and of Spain in particular, indicates that strengthening the common defense is, in a broad sense, the most effective way in which the United States can further Spanish defense interests at this time; and that Spain on her part, can make an important contribution to this common effort through cooperation with the United States along the lines of the proposals submitted by the United States representatives as further amplified in this memorandum.

(5) Western nations, and primarily North Atlantic Treaty Organization and the European Defense Community nations, are confronted with the military problem of providing an adequate defense for the West, the total military requirements for which are in excess of military equipment now available or likely to be available in the near future. Such equipment as is likely to be available must, therefore, be provided on a priority basis. The great bulk of this equipment is being allocated to supplement the defense efforts of those countries which are actively participating in the common defense of Western Europe and whose geographic location places them in the more immediate areas of operation in the event of attack. It is believed that there can be no disagreement that extension of military assistance based on this principle can properly be considered as being in the interests of Spain. Military necessity dictates that the greatest combat capability be provided as a matter of priority to those who are in position to employ such weapons first and have undertaken to do so in the common defense. This does not mean that other areas are or should be neglected, but under the conditions which now prevail, it becomes a matter of military necessity to provide for the most effective defense of forward areas rather than provide for contingent defense of less vulnerable areas. Thus all United States military aid programs must be formulated in light of our worldwide security obligations and the active de-

fense against Communist aggression as, for example, in Korea and Indo China.

(6) The Spanish Government's desire to build up Spain's own defenses is fully understood and appreciated, and its appraisal of the increased risk involved in the United States use of military bases in Spain has been carefully considered. If war with the U.S.S.R. should come, Spain, due to its strategic location, would not be able to escape Soviet aggressive action. In this connection, Spain's determined anti-Communist position would be at least as suitable a pretext for eventual attack on Spain in the event of general hostilities as would the use of Spanish military facilities by United States Forces. Under these conditions, the presence of United States military personnel on these facilities, together with the intended provision by the United States, in collaboration with Spain, for the defense of these facilities, would provide a valuable net addition to Spanish defense capabilities while, at the same time, affording to Spain the opportunity of making an important contribution to the defense of Western Europe. It will be evident also that the military forces, both United States and Spanish, which would use such facilities in time of war must become thoroughly familiar with their capabilities and operational characteristics in time of peace. The development of logistical, aerological, navigational and kindred techniques, is not accomplished quickly. Such techniques, developed to the highest point of effectiveness, in the shortest possible time, should be the objective of mutual endeavor.

(7) It is felt that the foregoing considerations provide an explanation of the reasons which require, in peace time, the effective preparation and use of Spanish facilities against the possibility of sudden aggression. These measures are deemed essential to the proposed arrangements between the United States and Spain. Mutually satisfactory arrangements of this kind in the common cause are basic to strengthening the defense of the West and provide the framework within which appropriate aid can be extended.

(8) It is felt that it is well understood that the $125 million for aid to Spain already appropriated by the Congress is all that will be available during the current fiscal year. Tentative programs for foreign aid in fiscal year 1953–1954 are already under discussion in the Executive Branch preparatory to their presentation to the Congress when it reconvenes. In the event that mutually satisfactory agreements are concluded with Spain, and provided that the time schedule permits, the Executive Branch of the United States Government is prepared to include suitable provisions for assistance to Spain in its presentation to the Congress regarding assistance for fiscal year 1953–1954 to all countries participating in the Mutual Security Program.

(9) It is believed that the Spanish Government, equally with the United States Government, considers that relations between the two countries should be on a continuing friendly basis in support of the policy of strengthening the defense of the West. Recognizing that the people of the two countries should be informed of the character of any understanding reached between the two Governments, the United States Government would be pleased to prefix a statement along the lines of paragraph (1) above, to the agreements which may be arrived at as the result of its proposals or, should the Spanish Government so desire, to issue such a statement as part of a joint communiqué at the time of signing of the agreements.

No. 872

711.56352/10-3052: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET NIACT MADRID, October 30, 1952—6 p. m.

352. USNEG—Noforn. Fol is urgently submitted in connection with provision of aid figure for Spain in FY 1954 for aid budget. Understand this budget now coming up for immediate consideration and believe inclusion reasonable figure for Spain essential.

No official Spanish reply our memo of Oct 6 [2] yet received, but this expected within few days and meanwhile informal conversations [3] on high level indicate (1) that Spanish authorities are well pleased with our statements of intent as therein conveyed and (2) that in view our willingness regard Spain eligible in principle for US assistance over period of years on equal basis with other nations, they will not wish show themselves unreasonable as regards conceding base rights in principle or accepting amounts and types of specific aid we may be able furnish. In latter connection, all indications presently point to thorough Spanish understanding our limitations pointed out our memo, and also to falsity of view that they anxious extract highest "prices" possible from US regardless our situation. Believe therefore figures of military requirements [4] pre-

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[1] Repeated to Paris for Porter.

[2] For the text of the memorandum under reference, see the enclosure to MacVeagh's letter, *supra*.

[3] Kissner and Vigon met on Oct. 24 to discuss the U.S. memorandum of Oct. 6. A record of this conversation was transmitted in despatch 358 from Madrid, Nov. 5. (711.56352/11-552)

[4] Reference is to the material which Kissner analyzed and submitted to the JCS on Aug. 20; for a summary, see Document 868.

sented Kissner during recent months shld now definitely be considered represent only optimum Spanish desires not "demands" and that next moves shld be communication our part of total assistance figure, at least through FY 1954, which we feel possible to aim at, within present and foreseeable limitation, thus providing basis for practical discussion and possible breakdown into specific programs. Moreover, figure this connection should not represent simply what we guess Spanish might "settle for" but genuinely our own best estimate of what our situation will allow us target. It can not be too strongly emphasized that purpose these negots is not seen here as making a deal but as initiating a cooperative defense enterprise, and our best chance of concluding them successfully is to keep this in mind and act accordingly.

Hence not haggling over "prices," but convincing Spaniards that we seriously intend and are actually planning do all we can to render joint enterprise viable is line we shld fol now that their fundamental anxiety re equality of treatment in principle has been satisfied. Furthermore, from present indications, we believe success this connection not impossible, provided magnitude target figure fully represents seriousness with which regard enterprise as well as all factors, both actual and foreseeable, which must limit our participation in it. With Spaniards satisfied on this point, there wld then remain only details to discuss, and while we have been given to believe that, on the military side, some difficulties of an operational nature may arise, as for instance in connection with extent and frequency of US rotational unit training on Spanish territory in peacetime, we feel that these shld not prove incapable of solution given goodwill already established on both sides.

It is principally in connection with above picture that we feel failure to provide favor reasonable aid to Spain in the FY 1954 foreign aid budget at present under consideration might prove disastrous. It wld in fact constitute an overt action running directly contrary to the assurances we have been giving of our intentions and cause grave doubt there, if not suspicion, as to their validity. To try to convince Spaniards that we mean what we say about helping them if they sign our proposed agreements, while at the same time we conspicuously make no advance provision for doing so, may well prove impossible, and as stated above, it is very largely on their conviction of our seriousness that our chances of success in these negots from now on rest. At same time, it will readily be seen what unhappy consequences might ensue for ourselves, even perhaps to extent of wrecking a project the success of which we desire, shld the agreements be signed and no financial provision exist for our carrying out our share of its terms in approaching year.

What shld be the precise amount of such provision is of course another question and one on which we can only make recommendations based on the most recent calculations here and on our present understanding of the purposes to be served, which are both subject to change and correction in Washington. However, under the pressure of time, we wld submit fol in an effort to be helpful, insisting only on our belief that the total shld be sufficient to show we regard giving aid to Spain in a serious light. As to military assistance, basing ourselves on Kissner's recommendations as presently revised, we believe not less than $80 million in new funds wld be appropriate. It goes without saying that if for any reason some portion of this sum should not be needed in Spain when the time comes, it cld be expended elsewhere, while shld it in fact be needed here and not have been specifically marked for Spain, it might be difficult or impossible to raise from other funds. In addition, on the economic side, basing ourselves on Train's present recommendations, we believe not less than 57 million in new funds wld be appropriate. Consequently our joint recommendation is for a total of $137 million in new funds to be provided for aid to Spain in the foreign aid budget for FY 1954. Detailed justification fols in separate message. [5]

MacVeagh

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[5] Reference is to telegram 354 from Madrid, Oct. 31. (711.56352/10–3152) The recommendation of the Embassy to include in the fiscal year 1954 budget $80 million for military aid and $57 million for economic aid was taken into consideration, along with papers from the Departments of State and Defense and from the MSA, by the MAAC Subcommittee on Assistance to Spain (consisting of Arth of DMS, Millar and Tesoro of State, DePaul and Gulick of MSA, Silver of Defense, and Weiss of the Bureau of the Budget) in early November 1952. On Nov. 7, the subcommittee circulated a paper which provided that $24 million should be sought for economic aid and $50 to $80 million (the lower figure was the Department of State recommendation) for military aid, for a total of from $74 to $104 million. In addition to that sum, $40 million was to be sought for the dollar costs of base construction. This highly technical document was designated MAAC D–3/5. It constituted a revision of DMS D–7 and was used as the Administration's basis for budget requests for Spain in December 1952. (Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spain, Oct.-Dec. 1952")

No. 873

711.56352/11-452: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET MADRID, November 4, 1952—10 a. m.

360. USNEG—Noforn. Embtel 355 Nov 1. [2] Fol is translation of texts of (1) FonMin's covering personal ltr to me and of (2) enclosed memo constituting Span Govt's reply.

(1) "I duly recd ur friendly ltr of Oct 7, enclosing the memo of Oct 6. [3]

"The Span Govt has examined both documents and, in reply to them, I am pleased to enclose a memo, dated today, which constitutes the reply to those documents.

"I also have the pleasure of advising you that today there will be delivered, by the High Gen Staff and the Min of Commerce to the chiefs of the respective Amer missions, the pertinent texts of the agrmts for 'mutual def assistance' and 'econ aid' between both countries once the minor amendments which the Span Govt has decided to propose have been incorporated in them.

"I hope that with this document the Govt of the US will have the necessary data to reach an early solution to the problem and, with this end in view, I am, my dear Amb; etc. (signed) Alberto Martin Artajo."

(2) "The memo of Oct 6 last, given by the Emb of the United States of America to the Ministry, has been carefully studied by the Span Govt and in reply to that memo there are expressed below due observations concerning the reaching of agrmts mutually satisfactory to both countries.

"I. The Span Govt is pleased by the tone of cordiality and the friendly indications contained in the covering ltr of the enclosed memo, as well as by the favorable reception accorded by the US to some of the observations made to it in the course of the negots and shares its confidence that the divergences which may persist will not impede the conclusion of satis agrmts.

"The Span Govt notes the statements that no distinction is made or implied between Spain and any other country collaborating in western def and that the only limiting factors are those of a practical nature and refer to the availability of funds and supplies and to priorities which may be necessary within the gen def plan, as well

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[1] Repeated to Paris, London, and Rome.

[2] Telegram 355 noted the receipt from the Spanish of the documents transmitted in this telegram. (711.56352/11-152)

[3] Document 871.

as the intent of the US clearly stated in the ltr, to allocate to Spain, as to the other countries, whatever may help to contribute efficaciously to said gen plan.

"The Span Govt accepts, likewise, in the truest interpretation, the opinion expressed by the Amer Government the establishment between both countries of a continuing friendship in support of the policy and the strengthening of the def of the West, which will include assistance to Span def efforts and the provision of assistance to Spain for a period of several years, within the legal limitations of available appropriations and the exigencies of the gen internati situation.

"II. The Span Govt reiterates its purpose of cooperating for world peace and is willing to contribute to the extent possible to the security of the free world through the establishment of a strong common defense against agression, by means of continuous and effective self-help and mutual aid with the US. The Span Govt accepts, likewise, that the assistance which shld be given Spain shld have as its aim the fulfillment of the precepts of the mutual security pact for the strengthening of the common def. In this respect, the Span Govt is pleased to recognize the efforts and the sacrifices that the Amer nation is imposing upon itself in order to achieve these ends.

"In the judgment of the Span Govt, this disposition of the def of Spain within the gen plan can be and ought to be coordinated with the particular needs of Spain's preparedness which, far from hindering it, fortifies and supports the possibilities of the common def. The Iberian Peninsula, by virtue of its geographic and strategic characteristics and the size of its population as well as by its anti-Commie history and gen policy, will, properly prepared, give body and strength to collective western def. Therefore, the Span Govt reiterates the necessity that Spain, as well as Portugal, receive complementary mil means sufficient to assure the def of the peninsular territory, without detriment, clearly, to those other allocations of material which are necessary to the nations whose forces may be placed more forward in the gen disposition of defensive forces.

"III. Although the Span Govt shares the conviction of the US that the strengthening of the common def of Western Eur contributes basically to the real def of Spain and that the facilities which Spain may give to the US for such def wld strengthen possibilities for gen def, the Span Govt considers that, even with such strength attained, in the measure desired, there is not excluded, rather to the contrary, there is required, in the Govt's opinion, the strengthening of, and means of def for, the Iberian peninsula. The Govt welcomes, therefore, the US promise of assistance to our rearma-

ment for a period for some years and offers, on behalf of the Span Govt and the Span people, to spare no efforts to achieve these ends.

"IV. The Span Govt, recognizing that when the strengthening of the Western Eur Def may have been achieved to the extent desired, the position of the Span def interests will have improved, cannot, however, fail to recognize, in a realistic estimate of the world mil sitn, the vacillation and lack of decision which predominate in the domestic policies of various of the states concerned and the existence, within a certain country, of strong resistance organizations and important nuclei of Commie affiliation, and obedient to Moscow, facts which place a stamp of insecurity upon the Eur rearguard and in the face of which the armament and strength of Spain must constitute, without any doubt whatever, the most essential factor for restraining and lessening the dangers thereof.

"V. We accept as logical and necessary the establishment of a system of priorities, in amt and timing, for aid to the rearmament of the various countries, in the light of their resolution of action and of their position in the zones most immediately exposed to an eventual attack, altho, according to what has been materializing, the tempo of the efforts in the preparation of effectives by the nations concerned seems to be greatly inferior to that of the plans established in the US concerning their armament and matériel, which naturally shld leave room favorable to the armament of other countries. If in the land and tactical commands, priority can be accepted, the same does not occur with ref to the risk of aerial offensives and offensives against commerce, in which all the countries of Western Eur in effect find themselves in the same line and, at least, in identical danger, and in many cases there will certainly be more interest in destroying the ports, industrial centers, and population nuclei which need not be utilized by the aggressor, and where nuclei inclined toward Communism do not exist, than those others which are nearer and shaped by Commie propaganda and which, once occupied, can re-enforce the industrial strength of the invader. Accordingly, we consider singularly urgent the need for equipping our air force with the most indispensable elements, combining to this end the utilization, to the maximum extent, of our own industries with the assistance and technical collaboration which the US can lend, without involving a delay in the aid required by other countries.

"VI. The desire of the Spain Govt to estab its own defenses being understood and appreciated by the US, we must reiterate that altho because of her strategic position and her anti-Commie posture, Spain might constitute an objective of Sov aggressive action, in the event of war the presence on Span territory of joint bases and mil personnel of the US wld necessarily aggravate and acceler-

ate the aggression. The Span people, to whom it cld not be explained that they do not themselves possess adequate defenses, wld doubtless consider it thus.

"It is considered that, in peacetime, the tech facilities and the logistical, aerological, navigational and similar technical requirements shld be those indispensable to their operational condition. In this regard we are guided by the satisfaction of states of polit opinion and the aim of avoiding insofar as practicable all the occasions for friction on uneasiness which wld develop, as commonly occurs in countries faced with the prolonged presence in peace time of fon mil contingents, and which cld create states of tension which might damage the cordiality of the relations and the spirit of collaboration which, if war comes, must be indispensable to us. We are, on the other hand, convinced that this is a matter which can be resolved satisfactorily for both countries via agrmts which may be reached, without great effort, on the tech level.

"VII. For the reasons set forth and considering urgent the initiation and development of the works related to the preparation of bases as well as those required for the improvement of communications and of our mil industry, the need is emphasized of agreeing upon and signing in the shortest time the single 'mutual defense assistance agrmt' and the 'econ aid agrmt', if the amendments to the drafts are accepted according to the text which is delivered this date to the respective missions, in order that the amts voted by the Congress can be utilized immed without the deliberations for the formalization of the mil base agrmt, which we hope satis agrmts will be reached, delaying the undertaking of the development of that preparation, account being taken of the fact that the amts authorized as 'grants' are not subj, by Amer legislation, conditions other than the gen conditions of the Mutual Sec Acts of 49 and 51 and to what is established in the agrmts now being negotiated.

"It is important that meanwhile and without a break the technicians make a study of the projects of all kinds which must be accomplished the methods and means to follow in their construction and those which may require the assurance of their correct functioning in the event of war, as well as the study of the most adequate means, within the credits assigned and others which may be available, for providing the air, sea and land forces with the complement of necessary war material, utilizing to the full, national means of production.

"VIII. It is observed with satisfaction that the exec branch of the Govt of the US is disposed to include in the mutual security program for the FY 53–54 additional aid to Spain, once mutually satisfactory agrmts are completed. It being hoped that the minimum sum of 25 million dols from the 52–53 budget may be augmented

during the year to a sum equivalent to that of 100 mil from the previous year, taking into acct the insufficiency which is recognized in the memo.

"In this regard, because of the grave moral responsibility incurred, the need of accelerating the investment of the credits of previous years is stressed, the good-will and mutual interest for the two nations being manifest.

"IX. The Span Govt considers, as does the Govt of the US, that relations between the two countries shld be maintained on the basis of continuing friendship in support of the policy of strengthening the def of the west and is disposed, as a result of the agrmt of the mutual proposals, that a joint declaration to this effect be made at the time of the signing of the agrmts.

"Madrid, Oct 31, 52."

MACVEAGH

No. 874

711.56352/11-452: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET MADRID, November 4, 1952—4 p. m.

362. USNEG—Noforn. As FonMin advised in his ltr of Oct 31, enclosing Span memo (Embtel 360 Nov 4 to Dept rptd London 49, Paris 68, Rome 27 [2]), Arburua and Arguelles met with Train, and Vigon met with Kissner Nov 3. Fol comments by section on Span memo, therefore, based also on these discussions:

I. As indicated in Embtel 352 [3] rptd Paris 66, principles expressed in personal ltr of Oct 7 to FonMin and statement of intent in our memo of Oct 6 [4] have apparently had considerable influence on attitude of Span auths toward these negots. Despite some vaguenesses in their memo re base agrmt, and their expressed desire to proceed to signing of aid agrmts without waiting for accord on base agrmt, reasonable tone their memo, willingness accept limitations on aid we may be able provide, and expectation satisfactory base agrmt can be reached all provide, evidence to this effect.

II–VI. Same gen comment applies to discussion in these sections of reasons for our aiding Spain, which on many points appears

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[1] Repeated to London, Paris, and Rome.
[2] *Supra*.
[3] Document 872.
[4] Document 871 and its enclosure.

show influence our arguments while revealing continued concern re Spain's vulnerability to air attack and inadequacy, in Span view, of def efforts of WE countries. Critical tone reference, we believe only to be expected from Span and can be ignored as irrelevant. If in some cases Span arguments appear envisage purposes other than our own, we anticipate discrepancies this regard can be resolved in detailed discussions now begun re aid agrmts.

Feel second para Section VI most important part of memo and also most obscure. However on basis of fol, we feel that difficulties apparently referred to can be solved and satisfactory base agrmt reached. Actually, during mtg with Kissner on Oct 24 (memo of mtg en route airpouch [5]) Vigon expressed confidence as last sentence this para does now that this problem of peacetime use of bases can be satisfactorily resolved. Later, on Oct 31, he called Kissner to his office and, in connection this subj, urged him to begin discussion tech details base agrmt with Air Min as soon as memo received. Still later, in discussion Nov 3, when Kissner asked whether Span memo intends to state or imply that in principle we have now been granted base rights in peacetime as well as wartime, he said yes, except for details re construction and personnel utilization, latter to be restricted to absolute minimum. Also at that time he stated further that these detailed tech arrangements can be worked out between Kissner and Air Min and that all three agrmts cld be signed simultaneously (see separate tel for full report this conversation [6]). In addition Train was likewise told Nov 3, in conversation with Arguelles and Arburua, that Span Govt is prepared sign base agrmt with US, and also that if this cld be agreed on without delay they cld see no reason why all three agrmts shld not be signed simultaneously, Arburua also expressing view that greatest Span concern re bases is still over method and extent of peacetime use (see separate tel for full report this conversation [7]).

VII. In accordance with our memo of Oct 6, both Kissner and Train have reiterated in their separate mtgs with Span, as I have done to FonMin, that suggestion econ and mil agrmts be signed before base agrmt does not conform with our requirements, and have urged that finalization not of two only, as suggested Span, but of all three be now vigorously and concomitantly sought. Since considerable work re programming must be done re aid agrmts before any funds can be obligated, whether or not these agrmts signed, they have pointed out, as I have done to FonMin, distinct possibili-

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[5] Despatch 358 from Madrid, Nov. 5; it contained an account of the fourteenth meeting between Kissner and Vigon. (711.56352/11-552)

[6] Telegram 363 from Madrid, Nov. 4. (711.56352/11-452)

[7] Telegram 364 from Madrid, Nov. 4. (711.56352/11-452)

ty that work on all three agrmts can in fact be completed at about same time. In talk with Train Nov 3, Arburua indicated possible target date of Jan 1953 for actual initiation econ aid program is entirely agreeable.

Studies suggested second para this section being undertaken with Span.

VIII. Additional $75 million proposed for FY 1953 has not been mentioned by either Arguelles or Arburua and we feel it wld be best to ignore this apparently only exploratory suggestion, at least for the present. It is impossible to say whether or not Span will revert to it later, but we doubt whether they themselves consider it as either realistic or practical.

IX. We believe joint declaration wld be appropriate at time all three agrmts are signed.

Conclusion. In our opinion Span memo now opens way to full detailed discussions of all three agrmts and we intend to concentrate on their simultaneous completion. Detailed discussions have already been opened and we will report fully as they progress. In this connection we urge our ensuing comments and recommendations on any proposed changes in three agrmts be acted upon as expeditiously as possible by agencies concerned. Separate tels contain changes proposed by Span in draft MSA and MDAP agrmts handed Train and Kissner Nov 3. Kissner meets with Air Min Nov 5.[8] Meanwhile we feel that, with this detached work in progress, Span memo requires no specific reply other than that I have sent to FonMin (see separate tel for text[9]) and that these exchanges of informal memoranda may now be terminated and our efforts shifted to the more fruitful discussions which Span themselves have invited. Shld it become clear, as matters develop, that accord on all three agrmts cannot in fact be reached so as to permit their being signed at same time, and thus Span proposal for separation become important issue, we believe we shld be prepared with alternative US position to avoid possible time-consuming impasse. In such an eventuality, we suggest we might inform Span that US prepared to sign covering draft basic def agrmt and related tech agrmt (or if necessary only former), it being agreed at same time that technical schedules wld be completed soonest. We wld appreciate consideration of this alternative by agencies concerned and authority to use

[8] A record of this meeting was transmitted in despatch 399 from Madrid, Nov. 14. (711.56352/11-452)

[9] Telegram 365 from Madrid, Nov. 4; in it, MacVeagh expressed satisfaction at the prospect of embarking on detailed negotiations for the Mutual Defense Assistance Agreement and the Economic Aid Agreement, but rejected the proposal that they be signed before accord had been reached on all aspects of the base agreement. (711.56352/11-452)

it if, in our judgment, it shld become necessary. In this connection, wld also appreciate earliest confirmation that covering draft def agrmt still contains everything desired to be included in this document, which constitutes that part of total base agrmt which will ultimately be published and registered.

MACVEAGH

No. 875

752.5/12-852

The Secretary of Defense (Lovett) to the Secretary of State

TOP SECRET WASHINGTON, December 8, 1952.

DEAR MR. SECRETARY: The Joint Chiefs of Staff have informed me as follows:

"The Joint Chiefs of Staff have reviewed a Special Report on Spanish Negotiations submitted by the Chief, Joint United States Military Group (JUSMG) (Spain) dated 20 August 1952, [1] which includes for consideration a military assistance program for Spain of the magnitude of $440,763,000. The report recommends the Joint Chiefs of Staff assign certain tasks and obligations for Spain in Western defense 'and as a result thereof, that a plan be evolved, to provide over a period of four or five years the reasonable amount of equipment', listed in the special report. The Chief, JUSMG (Spain) stated in the report that he had received the impression that a satisfactory base rights agreement can probably be concluded if the Spanish are assured such a program is planned.

"The Joint Chiefs of Staff consider that steps should be taken to modify the U.S. negotiating position so as to bring about an early resolution of this problem. If any interdepartmental re-examination of the U.S. negotiating position becomes necessary, it is recommended that the following points be incorporated into the Department of Defense position:

"a. It would be premature at this time to assign specific military tasks and missions for Spain in Western defense.

"b. Until the role Spain will play in Western defense is crystallized, any military assistance granted should be with the objective of developing forces which will increase Spain's capability of defending the Iberian Peninsula, including defense of U.S. occupied Spanish bases, and of fulfilling possible future North Atlantic Treaty Organization (NATO) requirements.

"c. Under limitations indicated in subparagraphs a and b above, the program submitted by the Chief, JUSMG (Spain) is

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[1] See Document 868 for a summary of this report.

in consonance with the national objectives of the U.S. as expressed in NSC 72/6. [2]

"d. There is no objection, from a military point of view, to permitting the negotiating team to divulge to the Spanish the general nature and magnitude of the contemplated program and the United States intent to implement it. However, in discussions with the Spanish the negotiating team should make clear that any commitments within the magnitude of their recommended program are subject to the limitations of future Congressional actions, existing NATO priorities, the exigencies of the Korean situation, the status of supply, and the international situation.

"e. The division of the $100 million, as recommended in the memorandum by the Joint Chiefs of Staff for you dated 15 February 1952 [3] (subject: 'Use of $100,000,000 Now Available for Economic, Technical and Military Assistance to Spain under Public Law 249, 82d Congress') should be reviewed in the light of conditions now developing to determine the most desirable division from the U.S. point of view and to provide:

"(1) A sizable counterpart fund of pesetas to be used to meet, in part, the initial construction costs of the U.S. bases,

"(2) Essential rehabilitation of Spanish railroads, and

"(3) A program of military end-items for Spain."

I have approved the Joint Chiefs of Staff's recommended Department of Defense position as set forth in the subparagraphs a. through d. above, and request that steps be taken by the Department of State to modify the United States negotiating position to bring about an early resolution of this problem.

The Joint Chiefs of Staff's recommendation in subparagraph e. above for review and resolution of the $100 million is under study in the Department of Defense. You will be informed if the Department of Defense considers a review and resolution of the $100 million necessary.

Sincerely yours,

ROBERT A. LOVETT

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[2] For the text of NSC 72/6, June 27, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 820.

[3] Not found in Department of State files.

No. 876

Editorial Note

After receipt of the Spanish memorandum of October 31, transmitted in telegram 360 from Madrid, November 4 (Document 873), the negotiations made such progress that there was hope in Madrid

and Washington that the agreements might be concluded prior to the end of the year. Then, on December 23, the Spanish presented to Kissner a draft of the defense pact (which was intended to serve as a published covering agreement to the secret technical schedules) which contained two provisions deemed unacceptable by the American negotiators.

The first provision stated that United States-Spanish collaboration on the construction of base facilities and the furnishing by the United States of military equipment to Spanish air, sea, and land forces were to occur "on a parallel basis, in such a manner that, when the moment of utilization of the desired facilities is reached, the minimum necessities required for the defense of Spanish territory which shall be determined in subsequent technical agreements will have been covered." The second provision stated that, in case of war, the "timing and the manner of combat utilization" of the bases was to be subject to "prior consultations between both governments."

Having failed to alter the substance of these provisions during negotiations in the first 2 weeks of January 1953, as reported in telegram 534 from Madrid, January 9 (711.56352/1-2153), the United States negotiating team transmitted the text of the Spanish counterproposal to Washington in telegram 563 on January 22. (711.56352/1-2253) Transmitted on the previous day in telegram 562 was a letter handed to General Kissner by General Vigon on January 14 in which Vigon complained that the United States was developing an agreement that had "the double aspect of a concrete military pact for one of the sides, and of a benevolent political declaration of vague military content for the other." (711.56352/1-2153)

No. 877

711.56352/1-2453: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State [1]

SECRET PRIORITY MADRID, January 24, 1953—6 p. m.

572. Limited distribution. USNEG—Noforn. My telegrams 562, 563, [2] January 21, repeated Paris 118 and 119. Following additional comments submitted for consideration re your action reference telegrams.

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[1] Repeated to Paris.

[2] For the content of these telegrams, see the editorial note, *supra*.

1. We feel it most important that reference telegrams not be interpreted as suggesting impasse. All indications point to only obstacles to successful conclusion being matters of phraseology and emphasis. From various sources, we understand Spanish proposal for parallel assistance (see paragraph 2a reference telegram 562), which principal matter involved, stems from feeling of service ministers, especially Army Minister, that publishable part of agreement as drafted by us does not sufficiently assure them of definite intention our part to furnish equipment specifically for military services. Steady if slow progress of negotiations, culminating recently in widespread reports of early conclusion, has raised optimistic expectations in personnel these services throughout entire country, and service ministers feel that if no phraseology appears in published part of agreement capable satisfying these expectations at least in part, it might create reaction dangerous their position. It must be remembered that armed services and army in particular, constitute fundamental support of Spanish Government and therefore must be reasonably satisfied with any agreements affecting them.

2. It must also be remembered that, in accordance instructions received, [3] we have been unable inform Spanish of any specific military assistance planned by US beyond 37 million fiscal 53. In such situation, service ministers themselves are experiencing re our draft same feeling of disappointment they fear see aroused in their men. To overcome this in some degree, Franco has now authorized Economic Minister, Arburua, who is most anxious to see agreement concluded soonest, to mediate with Army Minister and Vigon and suggest that between 8 and 12 million of the $88 million presently earmarked for economic aid be transferred to military assistance. We feel this may have some good effect in changing attitude of service ministers toward agreement as a whole, and consequently recommend we be authorized to consent to it if formally presented. But we also recommend that in addition to informing Foreign Minister formally that provision has been included in proposed federal budget fiscal year 54 for military and economic aid to Spain (see section 4 of my reference telegram 563), Kissner be authorized without delay to advise his contacts on the technical level informally of the scope of such provision.

3. In summary, we believe best tactics now not only redrafting of covering defense agreement in accordance our suggestions reference telegram 563, and presenting redraft to Foreign Minister, but also apprising Spanish military authorities specific nature our intentions their regard. If Kissner authorized as recommended above,

[3] See Document 865.

we believe can convince them that even should Congress trim proposed fiscal year 54 budget to some degree, US military assistance available to Spain for fiscal years 1953 and 1954 will total not only substantially more than they now realize, but fully as much as they can possibly absorb during a 2-year period without so increasing their own defense costs as to create serious fiscal and economic and consequently political and social, problems for themselves.

MACVEAGH

No. 878

752.5 MSP/2-353

The Acting Secretary of State to the Secretary of Defense (Wilson) [1]

TOP SECRET [WASHINGTON,] February 3, 1953.

DEAR MR. SECRETARY: The receipt is acknowledged of the letter dated December 8, 1952, [2] containing the recommendations of the Department of Defense regarding military aid for Spain. The language of the memorandum from the Joint Chiefs of Staff would appear to indicate that the military aid program for Spain of approximately $440 million, recommended by the Joint United States Military Group on August 20, 1952, [3] has been approved, and that this decision has been taken in the light of an impression that a satisfactory base rights agreement can only be concluded if the Spanish are assured such a program is planned. Your letter requests that the Department of State modify the United States negotiating position to bring about an early resolution of this problem, namely, it is assumed, the conclusion of a satisfactory base agreement.

Assuming the above interpretation is correct, this Department has the following comments on the military aid program for Spain and the course of action recommended by the Department of Defense:

Both the JUSMG report, and the JCS recommendations which are based on it, rest upon considerations which have been materially changed since this report was originally submitted last August. First, the $440 million JUSMG military aid program resulted from a screening of extensive Spanish requests for aid which they listed as indispensable for the defense of their territory. Even after this screening, the JUSMG considered some of the amounts included in

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[1] Drafted by Dunham on Jan. 15 and cleared with Wolf and Battle.

[2] Document 875.

[3] See Document 868, for a summary of this report.

their program too high, on a *quid pro quo* basis, for the acquisition of base rights solely. The report therefore concluded with the suggestion that the Air Force review the JUSMG analyses and "consider recommending to the JCS that certain tasks and obligations in Western defense be planned for Spain; and as a result thereof, that a plan be evolved, to provide over a period of four to five years, the reasonable amount of equipment for each Spanish service indicated herein." The Department of Defense has now decided that it would be premature to assign such tasks to Spain at this time, a decision with which this Department fully agrees. However, this proposal was one of the principal factors on which the aid program recommended in the JUSMG report was based. Since it is not now to be considered, it would appear that the program of which this proposal was an important part should be revised accordingly.

Second, the JUSMG expressed the impression in its report of August 20, 1952, that the Spaniards would probably agree to conclude a satisfactory base agreement if assured of a military equipment program considerably less than the money value of the items they had listed. On the basis of the advice received from the US negotiators in October and November, [4] the Department of State believes that this impression should not be construed as suggesting that a satisfactory base agreement can only be concluded if the Spaniards are assured that the military aid program recommended by the JUSMG in its August report is planned. As the Ambassador has emphasized, the Spanish, having received our statement of intent regarding the continuing nature of aid to Spain, and having been assured of our willingness to regard Spain as eligible in principle for US aid over a period of years on an equal basis with other nations, will not wish to show themselves unreasonable as regards conceding base rights in principle or accepting amounts and types of specific aid we may be able to furnish. He advised that the Spaniards have shown thorough understanding of our limitations in this connection, which we have pointed out, and warns against the adoption of the view that the Spaniards are anxious to extract the highest "price" possible from the United States regardless of our situation. Accordingly the Ambassador urged that a program be established which represents our own best estimate of what our situation will permit and which is also sufficient in amount to show that we regard giving aid to Spain in a serious light.

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[4] The advice was contained most notably in Document 872; in telegram 354 from Madrid, Oct. 31, 1952, not printed (711.56352/10-3152); and in telegram Jusmg 117 from Madrid, Nov. 8, 1952, not printed. (Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, Oct.-Dec. 1952")

Third, based on these considerations, on their most recent calculations, and on their understanding of the purposes to to be served, the US negotiators submitted recommendations to Washington in October and November which substantially revised both the purposes and conduct of the military aid program recommended in August. The original program was designed to provide equipment for the buildup of the Spanish military potential for territorial defense—and, it is assumed, would also make possible the use of Spanish forces in Western defense under the commitment recommended. However, under the revised program the primary purposes of the military aid recommended are to assist in the development and protection of the bases and to develop improved military conditions in Spain which are desirable under the present program of US-Spanish cooperation and which will better prepare Spain for such future association with NATO as becomes feasible. Based on these purposes, an $85 million program of military aid to Spain was recommended [5] which necessarily revised both the service and individual priorities of the end-items contemplated in the original recommendations made in August. At the same time the JUSMG pointed out that such aid could serve as a foundation for later assistance under the general program recommended in August, which it reaffirmed, and would make an important initial contribution to the broader objective of ultimate Spanish participation in Western defense. [6]

The problems involved in developing a military aid program for Spain have been thoroughly studied by this Department in the light of the various reports from the Ambassador and the JUSMG; the Defense Department's views, as expressed in your letter; the new developments indicated above which materially change important considerations on which both the JUSMG report of August 20, 1952, and the JCS recommendations are based; and the political aspects involved. The Department of State has concluded that the recommendations made by the US negotiators on this subject in October and November, which represent their most recent advice, should be accepted for the following reasons: Their recommendations offer a basis both for the development of a satisfactory FY 1954 military aid program and for future planning purposes; a program based on their recommendations is more nearly in conso-

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[5] This figure, which was $5 million higher than that proposed by MacVeagh in Document 872, thus resulting in a total aid figure of $142 million rather than $137 million, was a refinement, based on further studies by Kissner, which was transmitted in telegram 383 from Madrid, Nov. 12, 1952. (711.56352/11-1252)

[6] These views were communicated in telegram Jusmg 117 from Madrid, Nov. 12, 1952. (Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, Oct.-Dec. 1952")

nance with the objectives of NSC 72/6; [7] such a program is in line with the statements made to the British and French Governments, prior to the opening of the negotiations, regarding the military aid program contemplated for Spain; [8] and it would avoid the political consequences which a military aid program, designed to build up the Spanish military potential for territorial defense, would have on US relations with the British, French, and most other NATO members.

This Department believes, therefore, that the US negotiating position need not be modified. It recommends, rather, the following program which is based on the general purposes recommended by the US negotiators:

1. The content of the military program would be determined by two military objectives:

(a) To provide equipment necessary to the protection of US bases in Spain and to train the Spanish armed forces in its use. Since the United States is short of AA equipment, which would be an important aspect of base protection, we could logically endeavor in the first few years of the program to supply only a few AA prototypes, sufficient to permit the establishment and operation of AA training centers. The arrival of this and other first-line training equipment should be timed to permit the earliest setting up of training centers and to provide some early tangible evidence of the military aid program.

(b) To supply the Spanish armed forces with, and train them in the use of such equipment as may be readily available, which would not be required for NATO or other high priority purposes because of obsolescence and which would strengthen the capacity of the Spanish armed forces to resist.

2. The program would also include:

(a) The training of Spanish officers in the US who would return as instructors in the training schools to be set up in Spain;

(b) The supply of equipment and technical assistance, including US specifications for weapons-production, to Spanish munitions plants so that Spain could ultimately produce larger stocks of modern equipment.

3. At the end of the preliminary phase of this program, which might be reached when the base construction program in Spain is well on the way to completion, the US should re-examine the fundamental question of Spain's relationship to NATO, in the light of the circumstance existing at that time, and determine what the

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[7] For the text of NSC 72/6, June 27, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 820.

[8] For the substance of these statements, see telegram 892 to Madrid, June 18, 1951, *ibid.*, p. 819.

nature and scope of future military aid to Spain should be. Presumably, in any event, a modest military aid program could be continued, the magnitude of which might be determined principally by practical necessities related to the construction, operation and protection of US base facilities in Spain.

In addition to the reasons mentioned above, this Department believes a program along the foregoing lines would have the following advantages: it would be generally consistent with the Ambassador's comments and recommendations and with the position the negotiators have outlined to the Spaniards with respect to the limited ability of the US to supply end-items at this time; it would provide aid in connection with the development and protection of the bases and also training equipment, which would assist in preparing Spain for such future association with NATO as becomes feasible, and yet would not commit the US to large-scale re-armament investments for Spain far in advance of the time when Spain could realistically be expected to assume military tasks outside its own territory; and it meets present requirements and at the same time provides the US with a flexible program which permits it to retain considerable freedom of action.

If a program along these lines is agreed upon, the question remains of discussion of it with the Spanish Government, as mentioned in paragraph (d) of the JCS paper. Since the size of the program outlined above would be determined largely on an annual basis the problem would appear to be limited to whether the negotiators should mention any figure regarding the program presently contemplated for FY 1954. It should be noted in this regard that we have not in the past undertaken to give similar indications to other countries. However, since no final decisions have yet been made regarding the FY 1954 military aid program, this Department believes it would be preferable to hold this matter in abeyance at this time unless or until it should arise as a problem in the negotiations.

Should the criteria recommended above as a basis for a program of military aid to Spain be acceptable to you, this Department recommends that representatives of our two Departments collaborate in working out a refined program based upon them.

Sincerely yours,

H. FREEMAN MATTHEWS

No. 879

711.56352/1-2453: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, February 17, 1953—7:23 p. m.

627. USNEG. With following comments, agree to course of action recommended urtels 562, 563, [2] and 572 [3] (repeated Paris 118, 119, and 121):

1. Following telegram [4] contains redrafted text of "Military Facilities Agreement" together with our comments on changes made. You are instructed to present this text to Spanish Government, unless you should perceive some overriding objectives or questions re our redraft. (Our position regarding signature such document, if agreement reached on these terms, remains as indicated in Deptel 454. [5])

2. Note to Foreign Minister [6] with which you propose transmit foregoing text approved with following changes:

a) View changes we have made in agreement, last sentence second paragraph of note should be appropriately modified;

b) First part of paragraph five should read "I might point out, however, that the mentioned statement is an honorable and sincere expression of intent by the United States which sets forth the basis of our plans for continued aid to Spain over a period of years. It is already being carried out by the appropriations which Congress has already made for assistance to Spain. Also, on the assumption mentioned in my communication to you of October 7 that mutually satisfactory agreements would be concluded in time, the President's 1954 budget message, which was presented to the Congress on January 9, 1953, by the prior administration, contained an estimate for foreign aid which took into account potential requirements for aid to Spain."

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[1] Drafted by Dunham and cleared with Rogers, Bonbright, Byington, and Matthews of the Department of State, Arth of DMS, DePaul of MSA, Nelson of the Bureau of the Budget, and Admiral Smith of the Department of Defense. Repeated to Paris.

[2] See Document 876.

[3] Document 877.

[4] Telegram 628 to Madrid, Feb. 17, contained a draft base agreement designed to overcome the difficulties presented by the Spanish insistence in the Dec. 23 counterdraft (see Document 876) on the "parallel development" and "prior consultations" provisions. (711.56352/2-1753)

[5] Dated Dec. 22, 1952, telegram 454 authorized the American negotiators to sign the military aid and economic aid agreements prior to the completion of the base agreement, provided that the "basic minimum essentials of our military requirements" had been met in the provisions of the base agreement. (711.56352/12-652)

[6] In telegram 563 (see Document 876), MacVeagh presented a proposed draft reply to the letter handed Kissner by Vigon on Jan. 14; see Document 885, for the text of this reply as finally delivered.

3. Referring to foregoing, you should advise Foreign Minister separately by personal letter [7] or by informal memo, in substance as follows:

Provision for potential requirements for aid to Spain, in foreign aid estimate contained in Federal budget of January 9 submitted by prior administration, was based on assumptions mentioned in October 7 [*6*] [8] memo that mutually satisfactory agreements would be concluded in time to permit suitable provision for such assistance to Spain in FY 1954 budget. This also assumed, of course, there would be time to permit obligation of funds previously appropriated for implementation of mutually agreed assistance programs. However, if, owing to time factor, it becomes impossible to obligate in FY 1953 some or all of these funds for mutually agreed assistance programs, inevitable result is to increase amount of funds to be carried over into FY 1954 with resulting probability that new funds which would be required and could be justified to Congress for aid to Spain in FY 1954 would be correspondingly reduced. Consequently, as time passes without completion three agreements it proves increasingly difficult to provide for aid in next fiscal year. Federal budget and detailed justification for estimates it presently contains now under active study by new administration and will be presented soon to President for his approval before it is submitted to Congress. Time factor is thus of the essence, as October 7 memo indicated.

4. We fully support proposal [9] to transfer to military aid $8 to $12 million of $88 million, presently earmarked for economic aid. In fact would be pleased to firm up division with $50 million for military aid, $75 million for economic aid. Suggest you do whatever you can in your discretion to encourage Spaniards along this line.

5. FYI only, we are not, however, in a position to tell Spaniards anything re budgetary provision for aid to Spain in FY 1954, beyond statement in your draft note mentioned paragraph 2 above. Entire budget now in early stages of review by new administration and impossible to judge at this time what revisions may be made which will affect Spain. Your recommendation this regard will be considered when these circumstances permit.

DULLES

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[7] Document 885.

[8] See the enclosure to Document 871.

[9] See Document 877.

No. 880

752.5/2-1953

Memorandum by the Director of the Office of Western European Affairs (Byington) to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

TOP SECRET WASHINGTON, February 19, 1953.

Subject: US Military Command Arrangements in Spain

We understand that the JCS will raise tomorrow [2] the question of US military command arrangements in Spain and ask for the Department's views.

1. The Air Force has recommended that the JCS accept the arrangements proposed by General Kissner, i.e., one senior military official responsible for all US military activities in Spain; (a) command of all US military forces in Spain; (b) construction; (c) conduct of technical negotiations relating to the military arrangements; and, (d) the MAAG. According to the Air Force recommendations this senior official would be an Air Force officer (presumably General Kissner), would work closely with the Ambassador in coordinating all US military activities in Spain and would report to the JCS through the Air Force as executive agent.

These arrangements are recommended for an interim period of one year and, as General Kissner and the Air Force have pointed out, have the following advantages:

(a) they provide for local coordination of a variety of US military activities which would otherwise be conducted separately;
(b) such coordination will be essential during the first year to ensure that operations under the new agreements are initiated in the most satisfactory manner;
(c) on the US side, these arrangements will provide one senior officer to report to and work with the Ambassador and the Washington agencies concerned; and
(d) on the Spanish side, they will provide a single point of contact which, General Kissner states, the Spaniards have already indicated they consider desirable.

2. The Army has recommended that the US command in Spain be placed under General Ridgway as soon as the agreements are concluded. We understand that although General Ridgway opposed this arrangement last October, he has now been prevailed upon to

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[1] Drafted by Dunham and cleared by Rogers.

[2] A record of the meeting, held on Feb. 20 between representatives of the JCS and the Department of State, is in State-JCS Meetings, lot 61 D 417, No. 74. No decision was reached on the question of command arrangements for base construction and planning purposes at that meeting.

accept it. We also understand that, under the Army proposal, the four main US military activities in Spain would be administered as follows: (a) the military command would report to General Ridgway; (b) construction work would be directed by the Army's construction group in Europe; (c) technical military negotiations would be carried out primarily under the direction of USCINCEUR; and (d) the MAAG would report to the Army.

The Army view is, apparently, that: (a) it is agreed that all US forces in Europe should be brought under General Ridgway; and (b) as he is responsible for these forces, he should also be responsible for US military activities in Spain in order to ensure necessary preparations there in the event that an emergency should require a withdrawal to or through Spain.

3. Two distinct issues are involved in the conflicting Air Force and Army recommendations; first, the question of a single officer responsible for coordinating all US military activities in Spain and, second, the military chain of command.

With regard to the first it is recommended we support the Air Force position for the reasons given in Section 1 above.

With regard to the second, it would appear that this is primarily a military matter since, even though a single officer is made responsible for US military activities in Spain, it may still be possible that he would be placed under General Ridgway's command. However, from the Department's point of view the Air Force recommendation that this officer report direct to the JCS has the additional advantage of avoiding possible misinterpretation which might arise if US military activities in Spain were placed under General Ridgway. There will probably be great interest in all aspects of the US-Spanish arrangements for a brief period after the agreements are signed. If at that time it should become known that our military activities in Spain are under General Ridgway's command, this might be misconstrued as a design on our part to bring Spain into NATO through the back door. Therefore, if the Air Force recommendations are adopted, this risk can be avoided and should have greatly diminished during the interim period of one year contemplated by the Air Force recommendations. Consequently you may wish to indicate the Department's preference in this matter also.

FYI, in the Department's own interests the Air Force proposal is also desirable for another reason. The base agreement will constitute an agreement to agree on a number of technical military matters. During the first year at least, we will have a continuing interest in negotiations regarding these matters. Our influence on such negotiations would be difficult to exercise under the Army proposal which would put these problems under USCINCEUR. Past experi-

ence indicate that USCINCEUR often settles such matters locally and that, when they are referred to Washington, USCINCEUR views are given such weight that Defense's position is inflexible. However, under the Air Force proposal regarding the chain of command the close State–Defense cooperation which exists today on these matters, both here and in Madrid, would be continued.

No. 881

711.56352/2-2653: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET NIACT WASHINGTON, February 26, 1953—4:17 p. m.

649. (1) Revision FY '54 budget (in line with Administration's policy to make major budget economies) requires urgent review proposed aid to Spain before end this week.

(2) We assume: (a) agreements will not be signed in time to permit obligation this FY of any significant amount, if any, of $125 million now available; (b) therefore practically all, if not all, of $125 million ($75 million for economic and $50 million for military aid will be carried over to FY 1954) and (c) some new appropriations are required for successful conclusion negotiations.

(3) Subject approval other agencies and decision DMS and Budget, Department now considering recommending: (a) new authorization $35 million military aid, to add to presently available $50 million, order to have $85 million available for military aid in first year of program; (b) $75 million economic aid, carry-over from available appropriations, considered sufficient both to meet economic requirements and to generate enough counterpart for base construction in light expected rate peseta expenditures. However, Department considering recommending new authorization $25 million economic aid, if you consider such additional amount indispensable for negotiating purposes, *and* as evidence good faith US statement of intent.

(4) Please cable immediately your recommendations and, if impossible, please phone Saturday morning.

DULLES

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[1] Drafted by Tesoro and Dunham and cleared with Cleveland and Byington.

No. 882

711.56352/2-2753: Telegram

The Ambassador in Spain (MacVeagh) to the Department of State

SECRET NIACT MADRID, February 27, 1953—10 p. m.

683. Department's telegram 649, February 26. [1]

1. Reference your paragraph 2, we question whether it is safe to assume that Congress will carry forward all or part of $125 million uncommitted in fiscal year 1953, and would point out that if such action not taken, adoption of Department's present proposals would leave us with only $60 million for both economic and military aid to Spain in fiscal year 1954. Furthermore, with respect to subparagraph C, we believe that adequate new appropriations in addition to carry-over of $125 million are required for successful conclusion of negotiations.

2. Reference parapgrah 3(a), please refer to Embassy telegram 354, October 31. [2] This telegram expressed our recommendation re military aid fiscal year 1954 and subparagraph A–2 thereof states in part: "If, contrary to expectations, $37 million could not be committed before June 30, 1953, this unobligated balance should be carried over to fiscal year 1954 without reducing" the amount recommended for fiscal year 1954 budget. Furthermore, Embassy telegram 383, [3] November 12, recommended $85 million military aid for inclusion fiscal year 1954 budget in addition to military aid portion of $125 million already appropriated fiscal year 1953. Consistent with this recommendation, we, therefore, urge the planned authorization for military aid for Spain fiscal year 1954 remain $85 million in addition to carry-over at proper time (end fiscal year 1953) of all or any then unexpended military portion of $125 million already appropriated. As an alternative solution, we recommend that fiscal year 1954 budget figure contain military aid for Spain not less than $122 million (85 plus 37) and preferably $135 million (85 plus 50).

3. Reference paragraph 3(b), in our judgment of $75 million reappropriated, $25 million new appropriation would be minimum additional amount economic aid required for fiscal year 1954.

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[1] *Supra.*

[2] Telegram 354 discussed in greater detail the proposals made in Document 872. (711.56352/10-3152)

[3] Telegram 383 provided a detailed breakdown of the portion of telegram 354 (see footnote 2 above) which dealt with military aid. (711.56352/11-1252)

a. We recommended $145 million economic aid program to cover 18-month period in Embassy telegram 378 [4] of November 11, 1952. For one year we believe that $100 million is minimum requirement.

b. Any possible savings in categories listed reference telegram may well be offset by requirements for wheat imports in fiscal year 1954 resulting from adverse growing conditions this winter season. Embassy now preparing crop condition report indicating outlook less favorable than last year.

c. At this stage of negotiations, we do not believe we should assume that entire counterpart generated, after deducting 10 percent, will be available for peseta costs of base construction. For example, certain railway (RENFE) rehabilitation, necessary to military program, may need assistance from counterpart fund to provide local investment requirements. Since its resources are already committed to rehabilitation in other areas than those of importance to US military, RENFE will not be able to deposit counterpart for equipment imported with MSA aid and simultaneously obtain additional internal financing to provide for local investment required for projects of interest to US.

4. We consider above recommendations re both military and economic aid, especially military, minimum amounts indispensable for negotiating purposes to evidence good faith US statement of intent, and to achieve cooperative atmosphere for effective utilization facilities in Spain. [5]

MacVeagh

[4] Telegram 378 provided a detailed breakdown of the portion of telegram 354 (see footnote 2 above) which dealt with economic aid. (711.56352/11-1152)

[5] As indicated by a letter from Under Secretary Smith to Stassen, Mar. 6, the proposals of the Embassy in Spain were adopted in full by the Department of State. (752.5 MSP/3-653)

No. 883

Editorial Note

James Clement Dunn, the Ambassador to France, was appointed Ambassador to Spain by President Eisenhower on February 27. Dunn left his Paris post on March 2, returned to Washington for consultations, then departed for Madrid on April 3. He presented his credentials to Generalissimo Franco on April 9. Ambassador MacVeagh, meanwhile, had presented his letter of resignation to President Eisenhower on January 20, and relinquished charge of the Embassy on March 4. John Wesley Jones was in charge of the Embassy between March 4 and April 3. On March 12, the Secretary of State submitted to the President a draft reply of a letter

accepting MacVeagh's resignation. After making revisions, the President signed the letter on March 17. (123 MacVeagh, Lincoln)

No. 884

711.56352/3-553

Memorandum of Conversation, by William B. Dunham of the Office of Western European Affairs

CONFIDENTIAL WASHINGTON, March 5, 1953.

Subject: U.S.-Spanish Negotiations

Participants: Ambassador Lequerica, Spanish Embassy
Ambassador Dunn, U.S. Ambassador to Spain

During Ambassador Dunn's call on Ambassador Lequerica this afternoon the Spanish Ambassador referred to his recent trip to Spain. He said that he had reported to Franco about the change of administration in the US and, in response to his inquiries, had stated the belief that the new administration would reflect even more good will toward Spain. The Spanish Ambassador said he had also discussed the negotiations with Franco and, in reply to Ambassador Dunn's questions said he did not know how Franco regarded the present status or prospects of the negotiations; that Franco had maintained a complete poker face. Ambassador Lequerica expressed his feeling that what is needed now in the negotiations is to get rid of such harsh words as priority and to replace them with some nice fancy words.

Ambassador Lequerica also emphasized his belief that the negotiations must be completed at the earliest possible date. He said he fully realizes the problems involved in providing additional funds for Spain in the new foreign aid budget which he understands will probably go before the Congress about the first of May. Consequently he feels that the negotiations should be completed by that time in order to justify new funds for aid to Spain next year.

No. 885

711.56352/3-1853

The Chargé in Spain (Jones) to the Spanish Minister of Foreign Affairs (Martín Artajo) [1]

SECRET MADRID, March 16, 1953.
No. 627

EXCELLENCY: I have the honor to refer to the letter from General Vigon to General Kissner of January 14, 1953, [2] which expresses the position of the Spanish Government concerning the Spanish counterdraft of the covering Defense Agreement, and in which General Vigon suggests that this draft should be transmitted to my Government for consideration.

Shortly after the receipt of that letter, Ambassador MacVeagh transmitted it with the Spanish counterdraft, [3] as presented to General Kissner by General Vigon on December 23, to the authorities in Washington with the recommendation that a position be established in this regard as close to the Spanish position, expressed in the counterdraft, as possible. I have now received instructions from my Government which were delayed because of the necessity for the Departments of the Government concerned to study these matters at a time when the new Administration was just assuming office in the United States. In accordance with my instructions I am transmitting herewith a redraft of the covering Defense Agreement (which the United States Government suggests henceforth be called "Military Facilities Agreement") as prepared by my Government.

In place of the phraseology suggested in the Spanish counterdraft that the United States furnish adequate assistance to Spain to satisfy the minimum necessities for the defense of Spanish territory, the United States draft contains the statement of intention to supply such assistance, which was expressed to you in the memorandum attached to Ambassador MacVeagh's letter of October 7. [4] The reasons which substantiate the United States position in this regard have been fully explained to you in his letter of October 7

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[1] Drafted by MacVeagh and Jones; a copy was handed by Jones to Yturralde on Mar. 17 and the source text was transmitted to the Department of State as enclosure 1 to despatch 737 on Mar. 18. In addition to the letter from Jones to Martín Artajo (*infra*), a copy of a Military Facilities Agreement proposed by the United States in response to the Spanish counterdraft of Dec. 23, 1952, was also enclosed. For the origins of this note, see Document 879.

[2] See Document 876.

[3] *Ibid.*

[4] Document 871.

with its accompanying memorandum, and I feel that it would be unnecessarily repetitive to restate these reasons now.

I might point out, however, that the mentioned statement of intent is a sincere expression by the United States which sets forth the basis of our plans for continued aid to Spain over a period of years. The good will underlying this intent has, in fact, already been demonstrated by the appropriations which Congress has made for assistance to Spain. Furthermore, on the assumption mentioned in Ambassador MacVeagh's communication to you of October 7 that mutually satisfactory agreements would be concluded in time, the President's 1954 budget message, which was presented to the Congress on January 9, 1953, by the prior Administration, contained an estimate for Foreign Aid which took into account potential requirements for aid to Spain.

The paragraph suggested in the Spanish counterdraft regarding the timing and manner of the utilization of the military facilities has been omitted from the United States draft of the Military Facilities agreement. Instead, it is the proposal of my Government that this question be covered in an additional paragraph in the Technical Agreement, as follows:

"In the event of Communist aggression, or imminence thereof, which threatens the security of the West, United States forces may immediately make such use of agreed areas and facilities stipulated in this agreement as may be necessary for the defense of the West; provided that when the need for such use becomes apparent, the United States will immediately so inform the Spanish Government. Should the United States wish to use the agreed areas and facilities for combat purposes as a result of the emergence of any other situation than above specified, such use will be subject to prior consultation between the two Governments."

In the hope that this new draft will be found acceptable to Your Excellency's Government and that the new era of cooperation and close association between our two countries will commence without delay, I avail myself [etc.]

JOHN WESLEY JONES

No. 886

711.56352/3-1853

The Chargé in Spain (Jones) to the Spanish Minister of Foreign Affairs (Martín Artajo) [1]

SECRET MADRID, March 16, 1953.

MY DEAR MR. MINISTER: I have thought it desirable to address a personal letter to you in explanation and elaboration of that paragraph of my Note of today's date relating to legislative provisions for aid to Spain for the fiscal year July 1, 1953–June 30, 1954.

In the foreign aid estimate contained in the Federal Budget which was submitted by the prior Administration on January 9, 1953, provision was made for aid to Spain. Such provision was based on the assumption mentioned in our Memorandum of October 7 [*6*], 1952, [2] which accompanied Ambassador MacVeagh's letter to you of the same date, namely, that mutually satisfactory agreements would be concluded in time to permit the inclusion of suitable provision for aid to Spain in the Budget for fiscal year 1954. It was also assumed that there would be sufficient time during the current fiscal year ending June 30, 1953, to permit the obligation of the $125 million previously appropriated for the implementation of mutually agreed assistance programs. However, should it become impossible to obligate before the end of the current fiscal year some or all of the $125 million which were appropriated for agreed assistance programs, the effect will be to make such unobligated funds available for reappropriation for use in fiscal year 1954. This may well have the effect that new funds for aid to Spain in the fiscal year ending June 30, 1954, which would otherwise be required and which could be justified to the Congress, would be correspondingly reduced. Consequently, as time passes without completion of all the agreements, it will prove increasingly difficult to provide for new funds in the next fiscal year.

The Federal Budget for 1954 and a detailed justification of the estimates it presently contains are now under active study by the new Administration. It will be presented soon to the President for his approval before it is submitted to the Congress. It will thus be apparent to you that the United States budgetary processes are

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[1] Drafted by Train; a copy was handed by Jones to Yturralde on Mar. 17 and the source text was transmitted along with the note from Jones to Martín Artajo *(supra)* to the Department of State as enclosure 3 to despatch 737 on Mar. 18.

[2] See the enclosure to Document 871.

moving along rapidly and the remaining time available for adjustments is thus diminishing.

Sincerely yours,

JOHN WESLEY JONES

No. 887

611.52/3-1853

The President to Ambassador Dunn [1]

[WASHINGTON, March 24, 1953.]

DEAR JIMMY: I have been thinking of our discussion during your recent visit to Washington. [2] It might be helpful to you in undertaking your new mission to have in writing an expression of the ideas I mentioned to you at that time concerning our future relations with Spain.

Of immediate importance is the early successful conclusion of the current negotiations with our Spanish friends. I do not see how the Spanish Government can fail to realize that the proposed arrangements between our two countries are fundamental to the interest of Spain itself. In providing a valuable contribution to the strengthening of the common defense of Western Europe the bases also strengthen the defense of Spain, whose direct self interest would appear to require a strong defense in Europe as far to the east as possible.

Prior to your arrival the Chargé d'Affaires will have received and presented to the Minister for Foreign Affairs the position of this Government. I am sure that after your explanation the Spanish Government will understand that the United States Government can not commit itself at this time to specific amounts and types of aid for future years beyond the extent of the assurances we have already provided. On the other hand we have indicated the substantial expenditures of both money and equipment which we are prepared to make now, provided that our use of bases is assured in peacetime and also in the event of an emergency created

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[1] Drafted in the Office of Western European Affairs and transmitted to the President on Mar. 19 by Under Secretary Smith, who observed in a covering memorandum that it had been written "with the thought that Ambassador Dunn might have occasion to show it to General Franco." The letter was returned by Thomas E. Stephens, the Secretary to the President, on Mar. 21, under a covering memorandum on which was written a notation indicating that it had been forwarded to Ambassador Dunn on Mar. 24.

[2] No record of this conversation has been found in either Department of State files or the Eisenhower Library.

by Communist aggression or the imminence of such aggression. It should be clear also that we are prepared to accept such limitations on our use of Spanish bases as have been outlined in the instructions sent you.

Moreover successful conclusion of these negotiations will be the beginning of an important new relationship between the U.S. and Spain. As you know, I should like to see the proud and vigorous people of Spain restored once more to their proper place in world affairs. This would be, I think, not only to the advantage of Spain but also would benefit all concerned. It is my desire, therefore, that the United States should work for increasingly closer Spanish association with the major objectives of the Western nations which are cooperating in the United Nations and elsewhere.

I am not unmindful, of course, of the differing political traditions of Spain and the Western Democracies, as well as questions of religious freedom, liberal economic policy and freedom of expression, which may make this course long and difficult. Despite these serious difficulties mutual good will, understanding, and sincere effort, can surely succeed in achieving closer cooperation between us. It is up to Spain and to us to make every possible effort to achieve a close harmonious association between our two countries.

I have set forth these general thoughts for your information and guidance and I shall receive with interest your reports on the progress that is being made. You have my heartiest support and every good wish in your new post.

With warm regards,[3]

[3] The text source is not signed.

No. 888

711.56352/3-2753: Telegram

The Chargé in Spain (Jones) to the Department of State [1]

SECRET MADRID, March 27, 1953—7 p. m.

749. USNEG—Noforn. Embtel 734, March 18.[2] Foreign Minister has replied to my note and personal letter of March 16 in formal note received this morning but dated March 26. Its text in English translation follows:

[1] Repeated to London and Paris. In lieu of a signature, the words "message unsigned" appear on the source text.

[2] Telegram 734 reported that the note and letter, Documents 885 and 886, and the Draft Military Facilities Agreement had been delivered to the Spanish on Mar. 17. (711.56352/3-1853)

"Number 163 Secret Security Information:

I have the honor to acknowledge the receipt of your note No. 627 of March 16 and of your letter of the same date, [3] as well as of the attached counterdraft of a mutual defense agreement, [4] which your government suggests to be called in the future 'Military Facilities Agreement' and which might also be called 'Military Agreement', which we would consider to be more in consonance with its character and content.

I note that Ambassador MacVeagh transmitted to the United States Government, shortly after last January 14, the Spanish draft of the Mutual Defense Agreement which General Vigon handed to General Kissner last December 23, [5] and I thank you for the information concerning the recommendations made by the Ambassador that a formula be found to bring the Spanish and American points of view as close to each other as possible. I take pleasure in advising you that the counterdraft accompanying your note No. 627 was at once transmitted to the competent authorities with the recommendation that they study it with all possible urgency.

In your letter of the same date you made certain observations directly related to the subject of your note under reference and, esteeming the problem they raise to be of the greatest gravity and transcendence, I consider it necessary to refer to it without further delay.

You say that 'should it become impossible to obligate before the end of the current fiscal year some or all of the $125 million which were appropriated for agreed assistance programs, this may well have the effect that new funds for aid to Spain in the fiscal year ending June 30, 1954, which would otherwise be required and which could be justified to the Congress, would be correspondingly reduced'. And as a conclusion you point out that 'as time passes without completion all the agreements it will prove increasingly difficult to provide for new funds in the next fiscal year'.

I consider that these statements are of such gravity that they can have considerable weight upon the execution of the proposed agreement.

In effect, I feel obliged to recall at this point that the $125 million voted by the US Congress for economic assistance to Spain in the Law of Appropriations for Mutual Security approved on October 31, 1951 and its later amendment of 1952, were passed without being subject to conditions or reserves related to the conclusion of any defense agreement or Military Facilities Agreement, but only

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[3] See footnote 2 above.

[4] See footnote 1, Document 885.

[5] See Document 876.

to the signature of the agreements called 'Mutual Assistance' which, as you know, Spain has already negotiated and is ready to sign at any moment.

It was precisely the former American administration which conditioned the granting of assistance upon the conclusion of a military agreement, thereby making impossible the immediate granting of the aid and bringing about a delay, inherent in the importance and seriousness of the matter, in which the Spanish Government bears no responsibility and has not participated.

In the second place, a cause of delay, in which the Spanish Government is likewise not involved, has been the slowness of the study given the counterdrafts by the previous American administration, as Ambassador MacVeagh recognized in his letter of October 6 [7], 1952, [6] in which he told me textually: 'The long delay has not been due to any desire on the part of Washington to delay a decision but only to the necessity of coordinating the points of view of the many interested governmental agencies'.

Finally, the complications which arise from the change of the American administration have been the third delaying factor in the negotiations, as you yourself set forth in note number 627, in saying that the delay in the reply was due to the necessity for the Departments of the government concerned to study the problem at a time when a new administration was assuming office.

It would be a very serious matter if these delays, which are not attributable to the Spanish Government, together with the reflection which the study of such an important matter naturally requires, should bring about reduction or delays in the granting of the funds necessary for the defense of this country, because this would weaken, either for reasons of amount or opportunity, the efficacy of the measures set forth in the military agreements themselves. This is precisely the concern which inspired the text of one of the most essential paragraphs of the Spanish counterdraft of December 23, 1952; I refer to the one which foresaw the necessary and desirable parallelism between the development and use of the bases and the strengthening and perfecting of the defensive means of the (Spanish) Armed Forces.

Believing that you will appreciate the importance of these observations, I beg you to transmit them to your government, given the most serious responsibility which failure to take into account the necessary insurance would carry with it is such a serious matter.

I take the opportunity to reiterate to you etc. Signed Alberto Martin Artajo".

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[6] Document 871.

Comment will follow; [7] Spanish text by pouch. [8]

[7] In telegram 756 from Madrid, Mar. 31, Jones emphasized that the Spanish had taken the personal letter of Mar. 16 as a very serious affront which placed the negotiations in jeopardy. He recommended that he be authorized to address a conciliatory explanatory note to the Spanish in reply. (711.56352/3-3153)

[8] The Spanish text was transmitted in despatch 774 from Madrid, Mar. 27. (711.56352/3-2753)

No. 889

711.56352/4-853

Memorandum of Conversation, by the Ambassador-Designate in Spain (Dunn) [1]

SECRET MADRID, April 8, 1953.

Participants: Spanish Foreign Minister
American Ambassador-designate

On the occasion of my first call on the Foreign Minister, he received me very cordially. The first thing he did was to show me two documents from my dossier in the Spanish Government. One was a letter written by Ambassador Willard on March 28, 1920 informing the then Foreign Minister, the Marqués de Lema, of my arrival in Madrid and my taking up the duties of Third Secretary of the American Embassy here. The other paper was a notation of the issuance of my identity card as a member of the Diplomatic Corps.

We then spoke of the Minister's recent trip to the Far East and in this connection he said that the Philippines, although once a cause of contention, many years ago, between the United States and Spain, could now be considered a bridge in the relations between our two countries. He said he found the Filipinos most friendly in their attitude toward the United States and most appreciative of what our country had done for them. On the other hand they still had the feeling of friendship for Spain as the country of the origin of their culture and civilization.

Sr. Martín Artajo then referred to the negotiations now pending with regard to the base rights in Spain. He remarked that although the foreign press seemed to give the impression that an agreement was about to be reached very soon on the subject, such was not the case: there were some fundamental difficulties to be overcome. He said that one of the greatest difficulties in the situation was the economic situation which was far behind that of those

[1] Ambassador Dunn, who presented his credentials on Apr. 9, transmitted this memorandum of conversation as enclosure 1 to despatch 797 from Madrid, Apr. 8.

European countries who had received Marshall Plan aid, MSA aid and assistance in rearmament. Spain had not received any aid from any source whatsoever; had suffered great destruction during the Civil War, which had required a vast reconstruction program. This had been an enormous drain on the economic resources of the country and Spain had therefore not been in any position to rebuild its armament; she had the men and the armed forces, men of ability and great fighting spirit and within the last five years had received excellent training. The equipment of the armed forces, however, was not adequate and such as they had was either of inferior quality or had seen much use.

The Minister said that there was a general feeling in Spain therefore that if the nation were to take the step of granting rights to us for the construction and use of air bases on its territory they would be taking a deliberate step which would involve international risks; that the country should be in a position through a strengthened economy and an improvement in the equipment of the armed forces to play its proper role in the event of aggression. He said that from his own point of view he saw no great difficulty in arriving at an agreement with regard to the bases but the real difficulty was to achieve a balance between the granting of the bases and some provision for improvement in the economic difficulties and military equipment.

The Minister then said that the revised text which had been delivered to him by Mr. Jones, Chargé d'Affaires, ad interim, on March 17, [2] was now in the hands of the interested authorities of the Spanish Government and was receiving close study. He referred at this point also to the personal letter [3] Mr. Jones had written him at that time which pointed out that, if the agreement for the bases were not arrived at very shortly, the delay might result in a reduction of the amount of money allocated by Congress for Spain. He seemed to feel that there had been an intimation that the delay in arriving at the agreement was the fault of the Spanish Government, whereupon he pointed out the long periods of delay in waiting for American replies in the exchanges of views, the matter of the change of the Government in the United States which had caused a delay on the part of the outgoing administration, and the time necessary for a review of and consideration by the new administration of the negotiations.

I explained to the Minister that there had been no intention on our part to place any blame for delays; that we understood thor-

[2] Transmitted to the Department of State as enclosure 2 to despatch 737, Mar. 18 (711.56352/3-1853)

[3] Document 885.

oughly the difficulties caused by the change over of administration in the United States; but that the purpose of the reference in Mr. Jones' letter to the need for speedy conclusion of the negotiations was based upon the requirements of our legislative process in the United States.

I took the occasion at this point to assure the Minister I had seen all of the responsible officials of our Government, including the President, who are concerned with this question and that I could assure him that all of our Government were well disposed toward Spain and were most anxious to have the negotiations consummated and the agreements arrived at. I went on to explain in this connection that, when the representatives of the Executive Department appear before the Committees of the Congress for more appropriations for Spain for the fiscal year 1954, and if the 125 million dollars already appropriated had not been spent or obligated or if there were not even a concrete project as a result of the signing of the agreements or some such indication that the 125 million dollars would be spent for the purposes intended, the Congressional Committees would immediately say that it was not necessary to appropriate any new money for 1954 and that a reappropriation of the 125 million would be sufficient for the next fiscal year. I explained that we were most anxious to be in a position to request more appropriations in order to carry out the objectives of the agreement and that what our people wanted was to have the background of a specific agreement or agreements on which they could base their requests for additional funds for 1954.

The Minister acknowledged that this was a procedure which took place in almost every government including their own, as the Minister of Finance always insisted that the unspent balance be allocated and then be deducted from the new allocation. I also took occasion at this point to explain to the Minister the new administration's objective of trying to balance the budget and at the same time continue to meet the obligations we had already undertaken in the field of foreign aid with respect to Korea, NATO, Indo-China, and Formosa; in the development of new weapons and in the maintenance of our own defense establishment.

I also said that the Spanish situation had been thoroughly and completely reviewed by the responsible authorities of our Government; that from my personal conversation with all the high officials concerned, I could assure him that they all had the best will toward Spain and wanted to do everything that could possibly be done to be helpful in this situation. There was, however, the definite limit as to the amount of aid funds appropriated for Spain and that we all hoped that it would be possible to work out an agreement on the bases within the framework of the funds now made

available by Congress with the expectation of obtaining more if the agreements were concluded shortly.

I further told the Minister that after a thorough review of the Spanish situation, my Government had not wished to wait until my arrival for Spain to be informed of the United States position. Therefore instructions had been sent to Mr. Jones, Chargé d'Affaires, ad interim, to communicate to the Spanish Government the assurance that new study and consideration had been given by the new administration to the end objectives of the negotiations.

Sr. Martín Artajo said that within this present month of April they would be able to give us a revised text of the agreement in response to Mr. Jones' note of March 16 with such modifications as the Spanish authorities felt should be included.

He then said that arrangements had been made for me to be received by the Chief of State, Generalissimo Francisco Franco, next Thursday, April 9 at 12:00 noon [4] and that the General would be very interested to see me. This ended the conversation which lasted about forty minutes.

[4] For a record of this meeting, see telegram 790, *infra*.

No. 890

611.52/4-953: Telegram

The Ambassador in Spain (Dunn) to the Department of State [1]

TOP SECRET MADRID, April 9, 1953—10 p. m.

790. USNEG. I was received today at 12 o'clock noon by Chief of State. After receiving my letters of credence, we proceeded to small salon accompanied by Minister of Foreign Affairs and Chief of Protocol. Latter acted as interpreter during our talk.

I opened conversation by telling General I had just been in Washington for two weeks, that I had seen all officials of our government including President and that I could assure General that all officials of our new administration were well disposed toward Spain and were hopeful that we would be able to strengthen relations now existing between two countries and that we could move forward along lines of achieving our common objectives, preservation of peace and security of our two nations. I said that all American officials concerned with our relations with Spain were most anxious to be of help in improvement of these relations and would do best they possibly could within limits of our capabilities.

[1] Repeated to Paris and London.

General Franco then said that he was most happy to see President Eisenhower assume functions of Chief of State of United States, as he had highest regard and admiration for his abiiity and devotion to the cause of humanity. He said United States had become real defender of liberty and freedom of all those nations not under yoke of Soviet control and without generous devotion of our country to this cause there would be no hope for escape from Communist menace. He had greatest admiration for courage and tenacity with which United States was carrying out its role.

He said that Spain desired to align itself on side of those nations who were determined to maintain their national independence and they desired to achieve position of sufficient strength both militarily and economically to make their contribution to general defense. He then spoke of destruction country had suffered as a result of civil war. He said that at end of that struggle he had 1,200,000 under arms, fully trained and equipped at that stage of military development. Nation had made superhuman effort to reconstruct its damaged bridges, roads and buildings, but its resources were limited and it had not been able to do as much as desired or necessary.

He then referred to current negotiations for bases and said that in his original conversation with Admiral Sherman [2] he had made clear desire of Spanish Government to enter into arrangement which would make it possible for Spain to play its proper role, not only in defense of its own territory, but outside its territory in case of Soviet aggression; its ability to play this role being dependent upon improvement in its economic and military situation. It was almost two years now since beginning of discussions with regard to American use of air and naval bases in Spain and he regretted very deeply that all this time had been lost. It was loss which was irreparable and period in which construction and improvement should have both been under way.

He felt there was great lack of understanding on our part of capabilities of Spain for contribution to defense effort. He said that American survey teams had come to Spain and, among other things, had estimated almost two years ago that 600 airplanes a year could be built in industrial centers of country, particularly Cataluna. He said this figure could now more nearly approach 1,000 a year. He said that Spanish factories were capable of building guns and other weapons as well as ammunition, not only for its own use but for use in United States or elsewhere. He said it was desired of Spanish military staff to adapt their military weapons to American design and particularly for use of American ammunition. These

[2] For a record of this conversation, which took place on July 16, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 832.

great capabilities were all available and it seemed tragic to him they were not being made use of, particularly when he understood we had need of more production and were at present time placing orders in Europe for airplanes, weapons and ammunition. He said cost of production in Spain was lower than in most other countries and, incidentally, in case of air bases he understood cost of construction here would be less than in any other country where bases were now being constructed. He then referred to economic picture in Spain and pointed out how improvement in transportation facilities and communications could be benefit not only to Spain, whose requirements were not great but could be of great importance to defense of Europe in event of another war.

At this point General said that very fact of making arrangements with United States which would provide for establishment of air bases in Spain for our use would increase risks of becoming target for Soviet aggression, particularly by air as industrial plants in Barcelona and Cataluna were only 1,300 kilometers from Soviet bases in Hungary. Spaniards felt, therefore, while they were willing and anxious to arrive at arrangement with us for provision of bases, this should be done against background of improvement in Spanish position as regards their military and economic strength in order to support role they would be called upon to play in making their contribution in event of aggression.

General Franco said at this point that Soviet system had only one objective, whether directed by Lenin, Stalin or Malenkov; that objective was to amass greater military strength than that of any other nation or combination of nations and to carry out objective of imposing their will and domination upon all other nations through combination of locally established and directed Communist groups supported at appropriate time by efficient use of their military strength. He said, in his opinion, there would be no change in this general line of Soviet system. Spanish people, therefore, feeling that they were marked out as country against which Soviets had particular hatred, believed they would undoubtedly become one of the first targets and therefore were in great danger. I said, at this point, that all our countries were in danger and it was essential for us all to cooperate in facing common menace.

General Franco went on further to depict capabilities of Spanish territory both from point of view of air bases and naval bases, due to its geographic and strategic position, and said that he was in great hopes that our government under wise and informed direction of President Eisenhower, would recognize not only possibilities of Spanish situation but spirit of cooperation which existed here.

He said that what was needed was basis of mutual trust and confidence in going forward with our full and fruitful cooperation in

preparing for defense of our countries. He was sorry that some misunderstandings or lack of understanding in past have impeded proper progress which should have been made in these recent years to work closely together.

It was quite clear to me up to this point General had desired to set forth his ideas and convey to us his thinking on situation in our relations as it is at present. Up to this time he had done most of talking. In responding I said that we, too, regretted delays which had occurred in exchanges on subject of bases and that in recent months it had been necessary to await advent of new administration in order that whole situation could be re-examined and policy decisions arrived at in line with general policy of our new government. I said that this had now been done, that all those concerned in Washington had re-examined situation and had arrived at position which had recently been transmitted to Spanish Government without awaiting my arrival. General said here that, in his opinion, last position given by our government was even worse than position we had taken up to that time and that he felt that there was some lack of understanding on our part which, he hoped, could be cleared up in near future. I said that I was most anxious to go into whole situation with Spanish Government and that I had asked Foreign Minister if he would be good enough to sit down with me and have frank and full discussion of various phases of negotiation in order that we might have clear view of position of both sides and have full understanding and comprehension of difficulties and problems which were facing us on both sides.

I said that I could assure Generalissimo that President, Secretary of State and all officials responsible for our policy toward Spain were most anxious to be helpful and would fully support any measures which could be undertaken within limit of our ability to bring about consummation of proposed agreements with regard to bases and defense support. I said that limitation imposed upon our government in this manner resulted from very extensive obligations and commitments we had undertaken in various parts of world which we must carry out to best of our ability and I said, furthermore, it was policy of my government to reduce expenditures with view to effecting balancing of budget and in that objective they were most strongly supported by Congress.

I said that I was looking forward to devoting myself to close association with Foreign Minister in discussion of problems and that my government was most hopeful that, in arriving at an agreement on these arrangements, we would bring about new and important era in our relationship between United States and Spain.

General Franco then asked me to convey to President Eisenhower his deep respect and said again how happy he was to feel that

United States was being guided by great soldier and great statesman. I told General I was certain President would be most gratified to receive this message and that he would be particularly happy, also, to hear my report of General Franco's assertion full cooperation of Spain in attaining our common objective.

While General Franco stated all above with great earnestness, tone of interview, which lasted fifty minutes, was entirely cordial and friendly.

DUNN

No. 891

711.56352/2-2753: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET
PRIORITY

WASHINGTON, April 20, 1953—4:32 p.m.

774. Personal for Ambassador from Bonbright. Present review contemplated FY 1954 foreign aid budget, designed achieve greatest possible economies, indicates FY 1954 aid figures recommended Embassy's telegram 683 [2] and supported in Department's letter March 6 to DMS [3] no longer feasible.

Budget review still in progress and no final decisions reached. We fully realize significant relationship this problem has to negotiations. Would therefore appreciate receiving urgently for my guidance your reaction regarding impact each of following possible results of this review would have on continuation of negotiations and their successful outcome.

1) Reappropriation of $125 million (assuming breakdown of $75 million economic aid and $50 military aid) with increase by some small amount, say $25 or $50 million, on military aid side bearing in mind pressure for economies bears most heavily on economic aid side. This appears to us best we might be able to do for FY 1954.

2) Reappropriation $125 million without any increase.

3) Reappropriation only of military aid portion of $125 million.

DULLES

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[1] Drafted by Dunham and cleared with Martin and Bonbright.

[2] Document 882.

[3] See footnote 5, *ibid.*

No. 892

711.56352/4–2253: Telegram

The Ambassador in Spain (Dunn) to the Department of State

SECRET PRIORITY MADRID, April 22, 1953—6 p. m.

835. Personal for Bonbright, EUR. Am seriously concerned at your indication that FY 1954 aid figures recommended in Department's letter March 6 to DMS [1] "no longer feasible" (Department telegram 774, April 20 [2]). I am in complete agreement with statement last paragraph Embtel 683 [3] February 27 that our recommendations represented minimum amounts of military and economic aid "indispensable for negotiation purposes, as evidence good faith US carrying out statement of intent and to achieve cooperative atmosphere for effective utilization facilities in Spain". In my judgment, these US requirements may not be achieved, even by possible result No. 1 of economy review suggested reference telegram. However, of three possibilities mentioned, this is only one which offers any hope of mutually acceptable conclusion of negotiations provided military aid is increased by not less than $50 million.

We believe that either "reappropriation of 125 million without any increase" or "reappropriation only of military aid portion of 125 million" could only mean that negotiations would not succeed. In the first instance, only reappropriation for second time of amount which Congress first made available to Spain in October 1951 [4] would strengthen doubts which already exist on Spanish side regarding the seriousness of our intentions. To reduce aid to military portion only of original appropriation would, we are convinced, be completely unacceptable to Spaniards who have repeatedly stated that considerable assistance to reinforce Spain's economy is essential element in providing bases for belligerent purposes. Further on this point (No. 3 of reference telegram) this proposal seems to us self-defeating since, without counterpart generated by economic aid, Defense Department would require substantially larger dollar appropriations than presently contemplated for base construction to purchase Spanish currency to pay local costs. Thus "saving" to US taxpayer by eliminating economic aid would be more apparent than real.

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[1] See footnote 5, Document 882.

[2] *Supra*.

[3] Document 882.

[4] Reference is to the Mutual Security Appropriations Act of 1952, P. L. 82-249 (65 Stat. 730), Oct. 31, 1951.

Should results of review of budget be either No. 2 or No. 3 of your telegram, I assume decision will have been based on determination that US Government does not need Spanish bases. Consequently, in such event, I feel I should be authorized to tell Spaniards promptly that US Government has come to conclusion present negotiations should be terminated.

DUNN

No. 893

7525 MSP/3-2353

The Acting Assistant Secretary of State for European Affairs (Bonbright) to the Assistant Secretary of Defense for International Security Affairs (Nash) [1]

TOP SECRET [WASHINGTON, April 24, 1953.]

MY DEAR MR. NASH: Reference is made to your letter of March 23, 1953 [2] with regard to the recommendations of the Department of Defense concerning military aid for Spain.

The Department of State is fully in agreement with your conclusion that the positions of our two Departments are very close with respect to the practical steps which could be carried out on this subject in the short period ahead for which we can make concrete plans. Since there appear to be no differences between our two Departments with respect to preparing a military aid program for Spain FY 1954, and in view of the fact that we will shortly be reviewing all aspects of the negotiations with Spain, including the question of military aid, I would suggest that the matter of the United States Government's long-range planning for military aid to Spain be considered in connection with this forthcoming review.

In this connection the Department of State continues to believe that the acceptance by the United States Government of a military aid program of the nature and magnitude recommended in the JUSMG report of August 20, 1952 [3] would require a major policy decision by the Government. You may recall that the Washington agencies concerned so advised Assistant Secretary of State Perkins in a telegram [4] last September in preparation for a meeting with

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[1] Drafted by Dunham.

[2] In his letter, Nash rejected the assertion made in Matthews' letter to Wilson (Document 878), that the proposals for a new aid program made by the Embassy in Spain in October and November 1952 fundamentally revised the estimates made by Kissner in his report to the JCS, approved in December 1952. (752.5 MSP/3-2353)

[3] See Document 868.

[4] Telegram 2154 to London, Sept. 25, 1952. (711.56352/9-2552)

the United States negotiators. At that time we pointed out that the JUSMG report constituted an entirely new concept of military aid from that on which our negotiating position is based. In effect the United States would be undertaking a program to strengthen the Spanish armed forces as such rather than placing emphasis on the development of those military facilities in Spain which will contribute to the defense of the West and basing our concept of military aid accordingly on the development and protection of the desired facilities and the extension of some training equipment to the Spanish forces. As we agreed then, such a decision would require consultations with the British and French Governments in accordance with prior commitments made to them to that effect.

It is for these reasons, as elaborated in Mr. Matthews' letter of February 3, 1953, [5] that the Department of State believes that this matter involves a major policy decision. In view of these considerations this Department therefore suggests that the matter be held in abeyance pending the imminent review of the negotiations with the Spanish Government.

Sincerely yours,

JAMES C. H. BONBRIGHT

[5] Document 878.

No. 894

Editorial Note

On April 24, the Spanish Government submitted to the United States negotiating team a counterdraft to the Military Facilities Agreement proposed by the United States on March 16. The Spanish counterdraft, which was transmitted in telegram 850 from Madrid, April 26, showed that the Spanish were serious about acquiring a long-term military aid commitment from the United States in return for the bases. (711.56352/4-2653) Because there was a direct conflict between fulfilling that negotiating requirement on the one hand and the pressure within the United States Government to reduce foreign aid, as expressed in Documents 891 and 892, on the other, it was concluded in late April that a top-level government review of policy toward Spain was in order. The Department of State assumed responsibility for drafting a new policy statement to be submitted to the National Security Council Planning Board for consideration. The initial draft of this statement, dated May 6, is in Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, Apr.-May, 1953". The recommendations of the

NSC Planning Board, *infra*, were based on a subsequent draft which has not been found in Department of State files.

No. 895

S/S–NSC files, lot 63 D 351, NSC 72 Series

Memorandum by the Planning Board of the National Security Council to the National Security Council [1]

TOP SECRET WASHINGTON, May 11, 1953.

Reference: NSC 72/6 [2]

Subject: Recommended Action by the National Security Council on Negotiations with Spain

The Secretary of State should proceed with the negotiations to obtain air and naval facilities in Spain, recognizing the need for providing continuing aid to Spain over a period of several years totalling approximately $465 million for the Fiscal Years 1954 to 1957 (of which $210 million has been requested for FY 1954). The economic aid furnished will provide peseta counterpart funds, a substantial part of which will be utilized for the peseta cost of the construction of bases.

Discussion

1. In accordance with NSC 72/6, "US Policy Toward Spain" (see attachment A [3]), we have been negotiating with Spain for over a year for the use of air and naval facilities in Spain.

2. These negotiations have now reached a critical point. Our negotiators believe, and the Department of State concurs, that the Spanish Government will conclude and carry out a base agreement satisfactory to the United States if the Executive Branch will undertake a program of continuing military and economic aid to Spain over a period of several years.

a. The following amounts of aid are involved for FY 1954:

(1) $125 million now available; and
(2) $85 million in new funds which have been requested for FY 1954.

b. With regard to continuing aid after FY 1954, our negotiators are convinced that no agreement can be reached unless the Spanish Government can be told that the FY 1954 aid funds initiate a

[1] Circulated under a covering memorandum by Lay, May 11, which noted that the recommended action was based on a Department of State draft.

[2] For text of NSC 72/6, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 820.

[3] Not printed; it was an 11-line summary of NSC 72/6.

program to be completed over a period of several years. It will not be necessary to indicate to the Spaniards any specific amounts beyond those already requested of Congress for FY 1954. It should be understood within the Executive Branch, however, that the completion of the aid program would involve expenditures estimated to average approximately $85 million for three successive years beginning with FY 1955.

3. The Department of Defense and the Joint Chiefs of Staff state that the use of the air and naval facilities in Spain are of urgent importance to U.S. national security. They are, in fact, more important today than when negotiations were opened one year ago. From the military point of view, there are no equally satisfactory alternative areas for the bases.

4. An agreement with Spain would add to the Western alliance in the event of war a country which could provide depth to the defense of Western Europe against the most probable enemy of NATO and whose military forces, if properly equipped, could make a substantial contribution to a European army, thus helping to fill the vital need for immediate augmentation of Europe's military manpower. Spain could also be a safe haven, in case of the invasion of Western Europe, for U.S. and allied civilians pending their orderly evacuation. Utilization of bases in this area by the United States would (1) provide greater flexibility of movement for military forces; (2) provide additional means for dispersion of bases in the conduct of offensive or defensive operations, particularly the counter air effort; (3) permit continuity of effort in the event other bases become temporarily untenable; (4) fulfill a requirement for expansion of counter air attack; (5) guarantee control of Gibraltar and the Western Mediterranean; (6) provide additional bases for anti-submarine warfare; (7) increase the protection of the sea approaches to southern France and assist in preventing enemy submarine egress from the Mediterranean and (8) give a right of overflight of Spanish territory, which is essential in case of global war.

No. 896

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 144th Meeting of the National Security Council, Wednesday, May 13, 1953 [1]

TOP SECRET EYES ONLY

Present at the 144th meeting of the National Security Council were the following: The President of the United States, presiding; the Vice President of the United States; the Acting Secretary of State; the Secretary of Defense; and the Acting Director for Mutual Security. Also present were the Secretary of the Treasury; the Attorney General (for Item 1); the Director of Defense Mobilization; the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Item 1); General John E. Hull, for the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; Mr. Robert Cutler, Special Assistant to the President; Adm. Lewis L. Strauss, Special Assistant to the President; Major General J. S. Bradley, Joint Chiefs of Staff; Mr. J. Patrick Coyne, NSC Representative on Internal Security (for Item 1); the Military Liaison Officer; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion and the chief points taken at the meeting.

[Here follows discussion of item 1, the eligibility of representatives of foreign governments to receive classified United States security information.]

2. Negotiations With Spain (NSC 72/6; Memo for NSC from Executive Secretary, same subject, dated May 11, 1953 [2])

After Mr. Cutler had explained the background of the negotiations with Spain for U.S. bases, with particular reference to the desire of the Defense Department to conclude the negotiations and secure the bases, he asked Secretary Smith to give the views of the State Department.

Secretary Smith said that he could add but little to Mr. Cutler's exposition. However, he said that he was now in a position to give the Council an estimate of the total cost of the military and economic assistance which it would be necessary to give the Franco Government if we were to get our bases in Spain. This amounted to $465 million to be expended over a period of four years. Most of this sum would be spent on improving the effectiveness of the

[1] Drafted by Lay on May 14.

[2] See footnote 1, *supra*.

Spanish armed forces. The question before the Council was, therefore, in brief—do we want these bases so much that we are willing to pay this amount to conclude the negotiations and secure them? If we were not prepared to expend this sum, the negotiations would collapse.

Secretary Wilson observed that according to his understanding the total cost of these bases to the United States would be in the neighborhood of $800 million, including the cost of building the bases and of the military and economic assistance noted by Secretary Smith. The $800 million, however, did not include the cost of maintaining the bases once they were built. The decision seemed to Secretary Wilson a very difficult one. If we propose to spend all this money in Spain, in what other areas could we hope to effect an equivalent saving? Of course, said Secretary Wilson, the expenditure would secure us another ally. It would provide us with bases behind the Pyrenees; it would afford us an area into which we could bring evacuees from elsewhere in Western Europe in the event of war. The Air Force was very keen for the proposal, and Secretary Wilson personally thought that bases in Spain would be more secure than bases in North Africa. On the other hand, we should be involved in these arrangements with Spain for at least a ten-year period, and the expense would be heavy.

The President inquired whether the Air Force was prepared to state that the creation of these bases in Spain would justify abandonment of the bases in North Africa.

General Hull replied in the negative. It was his understanding that the Air Force still desired to secure bases in Britain and in North Africa as well as in Spain. The Air Force believed that it would need the North African bases in case it lost the British bases. It could operate with two sets of bases, but wanted the added insurance of an extra set in case any one were lost.

The President observed that if this was characteristic of the reasoning of the Air Force, the latter was certainly presenting a very good argument in favor of the value of Navy air.

In any case, said Secretary Wilson, he proposed to have these bases in Spain built along the most austere lines. There were to be no luxurious facilities and no large-scale housing. He proposed to look upon them as emergency bases rather than permanent installations.

Mr. Cutler explained what he understood to be the position of the Spanish Government and General Franco's anxieties. Spain would commit itself to an alliance with the United States in the eyes of the Soviets if it granted these bases, and Franco therefore felt the need of a long-term agreement with the United States. Specific appropriations of money were less important to Franco than

assurances that the United States proposed to play ball with Spain for a long time.

Secretary Smith stated his agreement with the position of General Franco as set forth by Mr. Cutler, and also noted that the French and the British were not hospitable to our negotiations with Spain. Secretary Smith further warned the Council that one sentence in paragraph 4 of the present report erroneously implied that the conclusion of the agreement with Spain would promptly add Spanish contingents to the European army. This, of course, was not the case, and Secretary Smith urged that the sentence be stricken.

After further discussion of the comparative desirability of securing bases in Spain and in North Africa, Secretary Smith informed the Council that the Congressional attitude on Spain must be taken into account in its present deliberations. Sketching briefly the history of the actions of Congress with regard to Spain, Secretary Smith warned that whatever the Executive branch did, the Congress was certain to insist on the provision of financial aid to Spain in the budget.

The President inquired whether the French and British Governments were likely to permit us to go ahead and conclude our agreement with Spain without kicking up a terrible fuss.

Secretary Smith replied that while they were not happy about the proposed relationship between the United States and Spain, they were less recalcitrant than in the past.

Secretary Humphrey inquired the grounds of British and French resentment about our attitude toward Spain, and the President explained to him both the ideological dislike of the Spanish Government in London and Paris, as well as the fear that in seeking bases in Spain the United States was contemplating abandoning the rest of Western Europe in the event of a Russian attack, and using Spain as a last stronghold from which to fight the Soviets elsewhere in Western Europe.

There ensued a lengthy discussion of the costs of building the Spanish bases and of the possibility that if the Air Force got its bases in Spain it would be willing to renounce other costly installations elsewhere.

In the midst of the discussion, the President said that to him the problem could be summed up in this fashion: Are we prepared to give reasonable assurance to Spain that we will continue to provide military assistance to her over a period of years in return for bases? This question, it seemed to the President, should be decided by the Department of Defense, who should then outline their position to the committees of Congress, since it was obvious that the Executive branch could not bind future Congresses.

Mr. Cutler read to the Council an action along the lines suggested by the President, but Secretary Humphrey intervened to state his firm belief that the whole problem required further study. It seemed to him, from the course of the discussion, that this Government was not sure of what it wanted from Spain, and that the Council had no authoritative information on which to base a decision to spend $800 million.

Secretary Wilson said that his own people were certainly sold on the desirability of these bases, and the President said he could not imagine that we did not know what we wanted, in view of the fact that we had been negotiating with the Spanish Government for a period of over two years.

Mr. Cutler added the reminder that the funds for military and economic assistance to Spain, as well as the funds for the construction of bases, would all have to fall within the levels of expenditure authorized for Fiscal Year 1954 in NSC 149/2. [3]

After further involved discussion of the question as to whether the budget for 1954 really provided the funds needed for Spain, Secretary Wilson stressed his conviction that the provision of funds for military assistance to Spain and the provision of funds for the construction of bases in Spain should run along together. He pointed out that the Spanish felt the same way. They were not seeking from us any mere moral agreement. If we did not specify the amounts of money we proposed to give them, there was danger of the charge of bad faith. Accordingly, we must enter this deal in good faith and make quite clear the limits of our assistance. Secretary Wilson said he didn't blame the Spaniards in the least for desiring a *quid pro quo* from this deal, but he was also afraid that they might be raising the ante. All in all, however, if the Council decided that this was a good proposition from the military point of view, there was much to be said for concluding negotiations favorably at this particular time. We were, said Secretary Wilson, being accused on all sides of collapsing the whole program of the Air Force. Getting the Spanish bases could, therefore, be used to counteract this propaganda.

Secretary Humphrey replied that he remained wholly unconvinced by any of the arguments he had heard. He reminded the Council of his own view that the days of free spending by this Government were definitely at an end. He prophesied that, thanks to the President's prestige and power, the Administration could get by without balancing the budget this year, but if we failed to do it in the following fiscal year it would "just be too bad." A revolt in Con-

[3] NSC 149/2, approved by President Eisenhower on Apr. 29. For text, see vol. II, Part 1, p. 305.

gress would certainly be the upshot. it was essential, therefore, that the Administration get these wild expenditures under control. $800 million, said Secretary Humphrey, is a hell of a lot of money. If this was what State and Defense wanted, he would not object provided they were willing to give up something else as compensation for securing what they needed in Spain. In conclusion, Secretary Humphrey said that we should wait two weeks to get the answer from State and Defense before reaching a decision.

Secretary Smith pointed out, in answer to Secretary Humphrey, that this was too long to wait. The point of decision in the Spanish negotiations had been reached. Spain, too, had its internal problems. Many Spaniards were worried about granting these bases to the United States and incurring Soviet wrath. We might be able to stall off a few days, but no longer.

Secretary Humphrey remained unconvinced, and again insisted that we should not commit ourselves to spending $800 million until Secretary Wilson could tell us exactly what the Defense Department is prepared to give up in the way of other programs if it secures the bases in Spain.

Secretary Smith replied with a statement of the many intangible advantages which would flow from the conclusion of a base agreement with Spain, while General Hull outlined the military advantages which the Air Force believed would accrue from these bases. They would add enormously to the flexibility which the Air Force required in carrying out its war plans. The strategic advantages were of the greatest importance.

The President observed that the trouble was that the Air Force can never be induced to say that if we get this we will give up that. What was needed was a statement by the Air Force as to what it needed most which could be bought with $800 million.

Secretary Smith, however, pointed out that from his own experience it was impossible for military men to state precisely the answer to the President's question. The fortunes of war were too uncertain. We would, however, have been glad in the last war to have been assured of continued Spanish non-belligerency, and would willingly have paid $800 million for such assurance.

The President then inquired as to how much of the reduction in the 1954 program for the Air Force involved reduction of its actual combat strength. He also noted his firm agreement with the view earlier expressed, that whatever the Council did, the Congress would provide money for assistance to Spain. While he was not apologizing for the cuts which it was proposed to make in the Air Force over the next few years, he did feel that there was weight in the argument that provision of bases in Spain would help to counteract the current propaganda as to the dangerous cuts that it was

proposed to make in the Air Force. In conclusion, the President stated that he was frankly in favor of getting the bases in Spain, but that he would still like to have a clear and forthright exposition of the advantages that the United States would derive from securing these bases.

The Vice President inquired whether the program under discussion was the only program of assistance to Spain. Is it, in short, he inquired, $800 million or nothing?

Secretary Smith replied that we were "buying" Spain with this military and economic assistance, and would be obliged thereafter to build the bases. He again warned that Congress would certainly reappropriate the $125 million of unexpended funds for Spain, and would probably provide even more.

The Vice President expressed his wholehearted agreement with Secretary Smith's statement, and went on to say that such provision would be made for Spain even if the Congress knocked out assistance to some other country, such as Yugoslavia.

The President then suggested that the Council postpone its decision for a week, and listen to a representative of the Air Force explain the full story of the problem of bases in Spain, so that the Council could act with full knowledge of the facts. Was it possible, inquired the President, to delay for a week?

Secretary Smith thought the interval was not too long.

After further discussion, however, the President suggested that the Secretary of Defense himself should ascertain the facts and decide whether it was a net advantage to the United States to expend the sums necessary to go through with the base program. If he decided in the affirmative, the President said he should then so report to the Secretary of State, who would report to the Congressional committees and conclude the negotiations. The President also said that he would wish the Secretary of Defense to report his decision to the Council.

The National Security Council:

a. Noted that the Acting Secretary of State requested the deletion of the following words in the first sentence of paragraph 4, page 2, of the reference memorandum:

> ", and whose military forces, if properly equipped, could make a substantial contribution to a European army, thus helping to fill the vital need for immediate augmentation of Europe's military manpower."

b. Noted a report by Mr. Cutler that the following corrections should be made in the figures contained in the enclosure to the reference memorandum:

Page 1, line 5: Change "$210 million" to "$225 million".

Page 2, par. 2-a-(2), line 1: Change "$85 million" to "$100 million".

Page 2, par. 2-b, line 10: Change "$85 million" to "$80 million".

c. Agreed that the Secretary of Defense:

(1) Should be given the opportunity of studying this matter further, including the possibility of realizing some compensating savings in other Air Force programs as a result of the proposed action.

(2) If he is convinced after such study that the recommended action on this subject contained in the reference memorandum is a desirable program, should so advise the Secretary of State, who would thereupon be authorized to proceed with the negotiations after discussion with the appropriate committees of Congress.

(3) Should report the action taken to the National Security Council at its next meeting.

Note: The action in c above, as approved by the President, subsequently transmitted to the Secretaries of State and Defense for implementation.

[Here follow discussion of items 3-4, an analysis of possible courses of action in Korea and the possibilities for psychological operations based on Thailand, and a noting of the position of the United States with respect to Switzerland.]

No. 897

S/S-NSC files, lot 63 D 351, NSC 72 Series

Memorandum by the Secretary of Defense (Wilson) to the National Security Council [1]

TOP SECRET [WASHINGTON,] May 19, 1953.

REPORT BY THE SECRETARY OF DEFENSE ON NEGOTIATIONS WITH SPAIN

1. National Security Action No. 786-c [2] directed the following action with respect to the United States negotiations with Spain:

a. The Secretary of Defense should be given the opportunity of studying this matter further, including the possibility of realizing

[1] According to a memorandum from Bonbright to Byington, May 14, Wilson informed the Secretary of State of his decision to recommend the continuation of the negotiations on May 14. (Secretary's Letters, lot 56 D 459, "S")

[2] The NSC action under reference was taken at the May 13 meeting of the National Security Council and is recorded in the memorandum of discussion, *supra*.

some compensatory savings in other Air Force programs as a result of the proposed action.

b. If, after this study, the Secretary of Defense is convinced that the recommended action on this subject contained in the referenced memorandum is a desirable program, he should so advise the Secretary of State, who would thereupon be authorized to proceed with the negotiations after discussion with the appropriate Committees of Congress.

c. The Secretary of Defense should report the action taken to the National Security Council at its next meeting. (May 20)

2. After further study, I consider that the use of Air and Naval facilities in Spain are of urgent importance to our national security. From the military point of view, there are no equally satisfactory alternate areas for these bases. The Spanish airbases are not a new requirement but have been a part of the Air Force strategic plan for some time. As a result of reductions in the Air Forces program, many continental United States and overseas airbases have been eliminated or deferred. Further, the planned utilization of the remaining airbases has been reduced to the extent that much previously required construction will be eliminated, thus effecting substantial savings. Utilization of available heavy construction equipment originally used for the construction of bases in North Africa and now located in that area will contribute to economical construction of bases on Spain.

3. The changes resulting from the reduction of the Air Force program have not altered airbase requirements in Spain, because of the great strategic advantages to be obtained from the location of facilities in this area. Conclusion of agreements pending between the United States and Spain will (1) provide greater flexibility of movement for military forces; (2) provide dispersion of bases in the conduct of both offensive and defensive operations, particularly the counter air effort; (3) permit continuity of effort should other bases become temporarily untenable; (4) fulfill a requirement for expansion of facilities for counter air attack; (5) secure Gibraltar and the Western Mediterranean; (6) provide additional bases for anti-submarine warfare; (7) increase the protection of the sea approaches to southern France; and (8) provide the essential right of over-flight of Spanish territory. In addition, the contemplated agreements with Spain will add to the Western alliance, in the event of war, a country which could provide depth to the defense of Western Europe against Soviet attack, and could be a haven for United States and allied civilians pending their orderly evacuation.

4. I am convinced that attainment of over-all United States security objectives makes it desirable that the United States conclude agreements with Spain for United States military rights in that country. Concurrently, the required MDA and Economic Agree-

ments should be concluded for administering the military and economic assistance to be granted Spain. Accordingly, I have so advised the Secretary of State and recommended that negotiations continue after consultation with the appropriate Committees of Congress.

5. In view of the above, I request that the National Security Council note that I am requesting the Secretary of State to move toward early conclusion of satisfactory agreements with Spain.

No. 898

711.56352/5-2953

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Director of the Office of Western European Affairs (Byington)

SECRET WASHINGTON, May 29, 1953.

The status of the Spanish negotiations was discussed this morning [1] at the Acting Secretary's staff meeting upon the basis of my memorandum [2] on the subject to Mr. Phleger. I describe below the situation and the basis on which we may proceed as understood by me.

(1) The Administration has determined that legislative authority must be obtained to provide a framework within which the Base Agreement can be concluded in the form of an Executive Agreement.

(2) The Attorney General has drafted language designed to achieve this which could be handled either as separate legislation or incorporated in some bill now under consideration by the Congress. Representative Halleck and Senator Knowland respectively have agreed to sponsor such legislation in the House and the Senate in the form as finally determined.

(3) We are authorized to continue informal consultations with the Foreign Relations and Foreign Affairs Committees on the future progress of these negotiations as has been done in the past. It seems to me that we should promptly initiate further consultations for the particular purpose of acquainting the appropriate committees with the fact that an Executive Branch undertaking to seek

[1] A record of this meeting is in Secretary's Staff Meetings, lot 63 D 75, "Minutes—1953".

[2] Reference is to a memorandum by Merchant to Phleger, May 28. In it, Merchant expressed the fear that U. S. procrastination, wrongly imputed to the Spanish, would embarrass the Ambassador in Spain and lead to the failure of the negotiations, and urged that the Department of State begin moving quickly to ensure that it had the proper authority from Congress to conclude the agreements. (711.56352/5-2853)

future funds from the Congress is implicit in the proposed agreement.

(4) We can then proceed with the negotiations in Madrid with a view to putting the documents in acceptable final form *provided* that the Spaniards are clearly informed that this agreement cannot be concluded until the legislation deemed necessary by the Administration is on the statute books.

Meanwhile, please prepare the necessary telegram of instruction [3] to the Ambassador in Madrid in the foregoing sense. It should go to Mr. Phleger and Mr. Morton for initialing and to the Acting Secretary for signature.

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[3] The instructions were transmitted to Madrid in telegram 934, June 30. (711.56352/6–2053)

No. 899

EUR files, lot 59 D 233, "Spanish Subject files IV"

The Deputy Under Secretary of State (Matthews) to the Deputy Secretary of Defense (Kyes)

TOP SECRET [WASHINGTON,] August 4, 1953.

MY DEAR MR. KYES: Confirming staff conversations on the question whether the channel of authority for Spanish base construction and command should be through CINCEUR or through the Air Force, I wish to advise you that the State Department has reviewed its position in the light of present circumstances, and is of the opinion that the existing arrangement should remain in effect. It is understood this arrangement was proposed by General Kissner and provides that, for a period of one year following the signing of the agreements, one senior Air Force official should be responsible for all United States military activities in Spain, for the construction of the bases, and for the supervision of the MAAG. The senior Air Force officer, working closely with the Ambassador, would report to the JCS through the Air Force as executive agent.

In the opinion of the State Department, the considerations which entered into its support of this arrangement last February [1] still prevail:

1. The arrangement would effect better coordination by providing on the United States side one senior officer to report to and work with the Ambassador, and on the Spanish side, a single point of contact which the Spaniards have already indicated they consider desirable.

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[1] See Document 880.

2. It would avoid arousing undue concern among our NATO allies that the United States is trying to bring Spain into NATO through the back door. While these fears have somewhat subsided in recent months, they would be revived by linking the Spanish base program at this time to CINCEUR.

3. Finally, the plan to use the Air Force as executive agent in Spain would elicit greater cooperation from the Spanish Government than one which would tend to associate Spain to NATO. [2]

Sincerely yours,

H. FREEMAN MATTHEWS

[2] In his response of Sept. 2, Kyes confirmed that the Secretary of Defense had agreed to the Department of State position on this question. (711.56352/9-253)

No. 900

Editorial Note

On August 7, President Eisenhower signed the Mutual Security Appropriations Act of 1954, Public Law 83-218 (67 Stat. 478). Under its provisions, the $75 million previously allocated to Spain for economic assistance was specifically reappropriated, and the $50 million allocated for military assistance was included in the total sum of unobligated funds which was carried over to 1954. Of the $2.857 billion requested for all new military, technical, and economic aid programs under Title I (which included Spain) of the Mutual Security Act of 1951, as amended (65 Stat. 373, 66 Stat. 141, and 67 Stat. 152), however, only $2.08 billion was approved. But because the Executive Branch, rather than the Congress, as in previous years, had initiated a Spanish aid program for fiscal year 1954, and had therefore incorporated the request for Spain into the total amount sought from Congress, it was still possible to reprogram the amounts destined for individual countries in order to assign to Spain the $100 million of new aid in addition to the $125 million carried over from 1952 and 1953, for a total of $225 million, as provided by the National Security Council on May 13, (see Document 896). The way was thus cleared for offering to the Spanish the long-term military and economic aid commitment which they had been seeking since early in the base negotiations.

No. 901

Spanish Desk files, lot 58 D 344, "Negotiations—U.S.-Spanish, June–Sept. 1953"

Generalissimo Franco to President Eisenhower [1]

TOP SECRET SAN SEBASTIAN, August 22, 1953.

MY VERY ESTEEMED AND ADMIRED GENERAL: The scope and importance of the agreements which my country is prepared to enter into with your nation lead me to address this letter to you. I am confident that my military uprightness will find a sincere echo in one who has so fully earned his authority and prestige.

The object of this letter is to lay before you my own fear and that of my Government concerning the manner in which our negotiations are developing. Since they were initiated by Admiral Sherman and the first negotiators, their tone has been gradually altered and they show a tendency to descend to the level appropriate perhaps to the drafting of a deed or indenture but which is at times forgetful that in fact it is a question of a momentous negotiation in a common interest and not of the hiring of certain services. The forced slowness with which the negotiation is developing for this reason, may I fear, go so far as to create an atmosphere of mistrust or suspicion which, should it spread to public opinion, might affect the cordiality which I consider essential to the efficacy of the agreements and may, because of trifling causes totally foreign to our desires, confuse our common aims.

Spain has accepted the negotiation over Bases in recognition of the menace of aggression that lowers over the West and which it considers as a menace also to itself, but not because of the material advantages which such an agreement might bring it. Indeed the dangers to Spain and its population which may be anticipated as a consequence of the agreement, cannot have a price put on them nor can they be compensated, for the destruction of one or two towns would amount to much more than all that American aid could bring.

Spain has stated clearly from the very first day what it could bring to the Mutual Defense Agreement with the United States, and what it required in order to insure itself as far as possible

[1] According to the memorandum by Dunn, *infra*, this letter was carried unopened by Dunn to Washington on Aug. 30. Because President Eisenhower was then at the Summer White House in Colorado, Secretary Dulles opened the letter and made arrangements to have a reply drafted for the President's signature. On Sept. 3, Dulles addressed a covering memorandum to the President and attached to it Franco's letter, Dunn's memorandum, and the draft reply for the President's signature; see Document 903. (711.56352/9-353) With the packet in hand, Dunn departed Washington for Colorado on Sept. 4 for the purpose of consulting with the President.

against the major risks to which that Agreement might expose it. Nevertheless, from the course of negotiations, it does not appear that the American Administration shows the proper interest in the efficacy of Spanish defense preparations nor in the value of the collaboration Spain is called upon to give in the event of an aggression against the West. The reserves and limitations to which the American Administration, on imperative grounds, has been subordinating the granting of aid, have been making it difficult to satisfy as far as would be desirable, Spanish defensive interests. Fully confident, however, of the scope of our own defensive effort and that, when it comes to the point, American self-interest would ensure that Spain should not lack the assistance needed to complete its defense—there are unfortunately not many countries in Europe willing and prepared to defend themselves—we accept that the equipment in full of our land armies should take place at a later stage. But we cannot do so as regards aerial defense in view of the lightning swiftness of such aggressions, which make it necessary to be prepared at all moments.

We believed that once the three principal agreements had been signed, the settlement of the technical features would become part of the executive phase, during which the successive and necessary complementary agreements would be drafted. But the negotiators have stated that it is the wish of the American Administration that the technical agreements should be signed at the same time as the principal ones. This has made it necessary to study and work on the American texts which concern in general the exclusive service of the Bases, and refer to details which are of interest to the United States but do not specify reciprocally the detailed provisions affecting Spanish aid. If this is to be taken into account and specified in the appropriate annexes, it will delay the signing of the principal agreements.

For all these reasons, and even allowing for the good faith and generosity with which the American nation has been carrying out its obligations towards the other European nations, the whole structure of the agreements will not be completed until, at the proper moment, there is added to it the appropriate annex concerning the details of American aid towards the equipping of our Armies. In this belief I am confident that the prompt signature of the Agreements will open a new phase in the friendship between our two nations.

I take this opportunity [etc.] [2]

[2] The source text is not signed.

No. 902

711.56352/8–3153

Memorandum by the Ambassador to Spain (Dunn) to the Secretary of State

TOP SECRET WASHINGTON, August 31, 1953.

Having received word from the Embassy in Madrid while I was at Geneva attending the Conference on Prisoners of War that the Spanish Foreign Minister wished to see me, I returned to Madrid on August 27 and called upon the Minister the following day, August 28, at noon.

The Minister had returned the previous evening from Rome where he had signed for the Spanish Government the new Concordat with the Vatican.

Señor Martin Artajo stated that General Franco had asked him to talk to me about the delay in completing the negotiations for the American air bases and facilities in Spain. He said that the Generalissimo felt that the negotiations had been going on for a longer period than seemed necessary to achieve agreement on these facilities. The Generalissimo felt that the Spanish Government had done everything they possibly could to meet our wishes with regard to the several agreements under discussion, and he found it difficult to understand why we had not been able to arrive at agreement as to details when apparently both governments were in agreement on the fundamentals. The Minister said that Generalissimo was beginning to feel that either there were some elements in the American Government who were trying to block this arrangement or that the American Government in general was mistrustful of the Spaniards carrying out their side of the bargain and was not dealing with this matter on the basis of mutual cooperation for the achievement of the common objectives. General Franco had asked the Minister to take this matter up with me, and the Minister entered into a rather lengthy review of all the history of these negotiations.

In giving the impressions of the Generalissimo with regard to the discussions of the various documents, Señor Martin Artajo said that General Franco was struck by the fact that in all the documents other than the basic defense agreement there were stipulations in great detail as to what the Spanish Government would be required to do, even to the extent of naming the locations of the bases, the procedures for entering into contracts, and many other minute details of what the United States required on the part of the Spaniards, but there was no document which provided any in-

dication as to what the United States Government would do with respect to furnishing of arms and equipment to the Spaniards. The Minister said the Generalissimo had at a certain moment felt that there should be some document among the set of agreements which would go into this phase of the arrangements and would contain schedules and lists of equipment to be delivered to the Spaniards, as the whole operation looked very much one-sided as set forth in the documents we were discussing. This would make necessary an agreement in addition to the four agreements we are now discussing (the basic defense agreement, the military technical agreement with its four schedules, the MDAP agreement, and the economic aid agreement). The Minister said that the Generalissimo, however, was willing to leave to a later time the discussion of the precise details of the military assistance we were prepared to give them provided all the agreements we were now discussing could be finished up promptly and the operation begun. I was concerned with his mention of the possible requirement of another agreement providing details of our military assistance, and to be certain to clear up this point I went back to it at the end of our conversation. I then asked the Minister explicitly whether the Spaniards were ready to sign the agreements we were now discussing, including the four annexes to the military technical agreement, if we could reach agreement on all those instruments at this time. The Minister said that the Spanish Government is willing to sign these agreements now provided it could be done promptly, and in that case would leave to a later agreement the equipment which we were to furnish under this whole program.

The Minister then said that General Franco had finally come to the point where he wished to bring the matter up in a personal way directly with President Eisenhower as he has a deep respect and admiration for the President, and he felt that this matter should be brought directly to the personal attention of the President in order that he might know the feeling of the Spanish Chief of State on the subject. General Franco therefore decided to write a letter [1] to the President and the Minister pointed to a letter addressed to President Eisenhower which was on the table before us. Señor Martin Artajo said that the Generalissimo had thought of having the letter carried over by the Chief of his military household and asking for a special audience by the President in order to receive him. It occurred to me that any such voyage of the Chief of General Franco's military household to the United States for this purpose would undoubtedly receive publicity and in my opinion it did not seem to me to be helpful to the whole situation to have this

[1] *Supra.*

approach attended by press articles and comments that might not assist in the present situation. I therefore asked the Minister what he would think about my bringing the letter over, to which he was immediately enthusiastic in his response, and furthermore said that General Franco would be most grateful if I were willing to undertake such a task. It was quite obvious to me that this was exactly what they had both wished, as after all the Minister had the letter right in his office and gave it to me without any hesitancy or without waiting to consult with General Franco. I told the Minister that I would leave on the first plane for Washington which was the following evening, August 29, and I arrived here on the afternoon of Sunday, August 30.

The Minister told me that the letter had been typed by the Generalissimo himself and apologized for a mistake in the spelling of the President's name by the omission of the "h" in his first name. He also said that the letter was in Spanish but that he had made a translation which was enclosed. He said that only two of the Cabinet Ministers knew of this action of General Franco's and that the Generalissimo was extremely desirous of not having the fact that he had written to the President become public. The Minister said that an English translation had been enclosed but he did not give me a copy, nor did he tell me what was in the letter. I can only judge from the conversation I had with him that the letter probably brings to the attention of President Eisenhower General Franco's feelings about the present negotiations.

JCD

No. 903

711.56352/9-353

President Eisenhower to Generalissimo Franco [1]

SECRET [WASHINGTON,] September 3, 1953.

MY DEAR GENERALISSIMO: Thank you for your kind and friendly letter of August 22 [2] which Ambassador Dunn has brought to me. I have long had a close interest in the negotiations which have been proceeding between our two governments, and I am grateful indeed to have received from you your personal views regarding them and the agreements which are now so close to completion.

As you have observed the negotiations have suffered delays from time to time and we share your regret that this should have been so. It would be equally regrettable if there should develop from this fact, or from the detailed considerations which have necessarily been involved in some of the agreements, any sense of mistrust or suspicion regarding the broad objectives of the arrangements between our two nations which we both desire.

The many details which are incorporated, not only in the Technical Agreement and Technical Schedules of the Defense Agreement but also in articles of both the economic and military aid agreements, spring from considerations which have arisen within my Government during past years and it may be helpful to you if I should mention some of these briefly in order that you may better understand some of the problems which confront us here. For example, as I am sure our negotiators have explained to your representatives, a considerable portion of the economic and military aid agreements which we have been discussing, and which we have negotiated with a number of other countries, arise from the stipulations included in legislation passed by our Congress. Similarly

[1] As indicated in footnote 1, Document 901, this letter, drafted by Dunham and cleared with Phleger, Stassen, and Nash, was carried by Dunn to the Summer White House in Colorado on Sept. 4. No record of the conversation which took place between President Eisenhower and Dunn on Sept. 5 has been found in Department of State files. A memorandum by Merchant to Dulles, Oct. 16, indicates, however, that in addition to signing the draft letter on Sept. 5, President Eisenhower gave Dunn instructions to convey orally a personal message to Franco. In a letter from Madrid, Oct. 8, Dunn assured the President that he had conveyed the message to Franco several days after the signing of the base agreements and that Franco had been "extremely touched and grateful" for Eisenhower's assurance that he desired U.S.-Spanish relations to be "developed on the most realistic and cooperative basis." (Secretary's Letters, lot 56 D 459, "Memorandum for President") With the signed letter and the oral message, Dunn returned immediately to Washington where further consultations on the negotiations were held (see footnote 1, *infra*). Dunn returned to Madrid with the President's reply on Sept. 7.

[2] Document 901.

many of the details in the Technical Agreement and the Technical Schedules, are necessary to such arrangements in order that our military services may be able to obtain the necessary appropriations from the Congress for the implementation of the agreements themselves. We realize that the variety and number of these details are frequently burdensome in negotiations such as those we have been engaged in and, realizing this, we have at all times endeavored to avoid raising any points which were not considered essential.

I have noted in your letter the reference to the necessity for the early preparation of aerial defenses, a concept which as you know we share, and your observation that the equipment in full of Spain's land forces can take place at a later stage. We stand ready, as the provisions of the first article of the Defense Agreement indicate, to do our best with respect to military end-item assistance to your country, having in mind the necessary priority that must be given in this day to air defenses. I have referred to your observation regarding the equipment in full of Spain's land forces, however, since in all frankness I must say that we are not able to undertake more in this respect than is provided in the Defense Agreement. We are, as you know, interested in improving the equipment of Spain's military and naval forces and we intend to do our best within the existing priorities and limitations in the face of the world-wide threat of aggression and our resulting international commitments.

In this same respect I have also noted your view that the whole structure of the agreements will not have been completed until there has been added at the proper moment an appropriate annex concerning the details of our aid toward the equipping of Spain's forces. I believe that some discussions regarding the details of such aid have already taken place between our representatives and I can give you every assurance that these will be pursued with a view to completing the programming of both military and economic aid in order that we may reach mutually satisfactory agreement with regard to such aid during the current fiscal year which runs from July 1, 1953 through June 30, 1954. This is our established practice and we would expect to follow a similar course with respect to the continuation of these programs over the period of the next several years as agreed between us and subject, as you understand, to appropriations by the Congress.

Ambassador Dunn is bringing this letter to you, and will also bring with him the few remaining considerations we have regarding the agreements now pending between our two governments. After careful study and consideration of the agreements and our remaining thoughts about them, which Ambassador Dunn will now

be able to convey to the Foreign Minister, I feel confident that our representatives will be able to conclude and sign all the agreements without further delay.

In closing I wish to take the opportunity to say that I share your confidence that the arrangements which are about to be completed will open a new phase of friendship and cooperation not only between our military services but between our two nations, and I look forward to the further development of these close relations in the years ahead.

Sincerely yours, [3]

[3] The words "Sincerely yours" in the draft were crossed out and replaced by "With assurances of my highest respect & esteem, Sincerely," with the notation that the latter phrase was added by the President on Sept. 5, 1953. The source text is not signed.

No. 904

752.5 MSP/10-553

The Ambassador in Spain (Dunn) to the Spanish Minister of Foreign Affairs (Martín Artajo) [1]

CONFIDENTIAL MADRID, September 24, 1953.

EXCELLENCY: In connection with my Government's consideration of the economic, technical and military aid programs for Spain to be undertaken in accordance with the arrangements being made between our two countries, it has given careful study to the total commitment which it can undertake in this respect. I have now been authorized to write you regarding this matter, with particular reference to the military end-item aid provided for in paragraphs 1 and 3 in Article I of the Defense Agreement.

With regard to the economic, technical and military aid for Spain envisaged by the agreements, I am authorized to inform Your Excellency that my Government intends to provide a total program in the amount of $465 million over a period of four years, subject to Congressional appropriations. This program will include the $226 million appropriated by Congress for the current fiscal year. Accordingly, the total commitment regarding military end-

[1] Transmitted as enclosure 23 to despatch 264 from Madrid, Oct. 5. (752.5 MSP/10-553) A summary of the negotiations, dated Sept. 26, originally drafted in the Office of Western European Affairs as a progress report on the negotiations from their origin in early 1951 through the conclusion of the agreements, and intended for submission to the National Security Council, indicated that the substance of the letter was imparted to Dunn during his stay in Washington while en route from Denver to Madrid in early September. (711.56352/9-2653)

item aid which my Government envisages with respect to the paragraphs of the Defense Agreement referred to above, is an amount to be mutually agreed within the total aid figure as stated above.

Accept, Excellency [etc.]

JAMES CLEMENT DUNN

No. 905

RA files, lot 58 D 387, "Spain VI"

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Secretary of State [1]

SECRET [WASHINGTON,] September 24, 1953.

Subject: Proposed Change in Base Agreement with Spain.

Discussion

The attached memorandum of September 22 [2] to the Under Secretary (Tab A) explains our view that certain clauses in technical schedules attached to the base agreement with Spain contain an implied U.S. commitment to cooperate in the air defense of Spain. It is our opinion that such an implied security commitment cannot be made without Senate ratification. General Smith concurred in our recommendation that this language be deleted even though this might cause difficulties and delay the signature of the agreements.

The Defense Department does not agree that there is any implied commitment and does not concur with our recommendation. Secretary Wilson has asked that the matter be brought to you for decision and would appreciate having your views by telephone.

The Department of Defense feels that our request for this change at this late date will delay early signature and may jeopardize conclusion of the agreements which are regarded as very advantageous to the U.S. However, we believe that if the Spaniards attach such importance to this matter as to jeopardize the agreements, this can only mean that they understand the language to contain the very commitment we are seeking to avoid. Secondly, the Defense Department argues that the permissive nature of the sentence at issue does not bind the U.S. and further that the separate exchange of notes regarding the use of bases (Tab B [3]) provides the

[1] Drafted by Dunham and Rogers.

[2] Not found attached to the source text; a copy is in Secretary's Letters, lot 56 D 459, "S".

[3] Not found in Department of State files.

U.S. sufficient latitude in this respect. However it is clear that if the US stations intercept squadrons on the bases, as is intended, it is then bound "to cooperate with the Spanish air force in air defense" and nothing in the exchange of notes would alter that commitment.

We will be available to discuss this subject at your convenience if you should so desire.

Recommendations

1. That our Embassy be instructed to obtain the deletion of "in air defense" even though this may cause difficulties and delay the signature of the agreements.

2. If you agree with the above, that you inform Mr. Wilson of your conclusion.

No. 906

Spanish Desk files: lot 58 D 344, "Negotiations—U.S.-Spanish, June–Sept. 1953"

Memorandum by the Secretary of State to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

SECRET [WASHINGTON,] September 25, 1953.

I have examined your memorandum of September 23 [2] and Ambassador Dunn's telegram 243 [3] of September 24 and have discussed the matter with you both. As a result I have signed a telegram [4] authorizing Ambassador Dunn to sign the Spanish Agreement.

I do not interpret the clause in question as implying any obligation on the part of the United States to defend Spain which would be beyond the President's executive authority.

It seems to me that what the provision means is that if there is offensive action in the air over Spain, then we should either take our interceptor planes out or else if they stay there, they will cooperate with the Spanish Air Force.

It is very difficult for me to think of circumstances under which Spain would be attacked without our desiring to cooperate with the

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[1] This memorandum was also addressed to Tate.

[2] Presumably a reference to the memorandum by Bonbright, *supra*. No memoranda by Bonbright dated Sept. 23 dealing with the subject of this memorandum have been found in Department of State files.

[3] In telegram 243 Ambassador Dunn argued against the interpretation given by Bonbright in the Sept. 24 memorandum. (711.56352/9–2453)

[4] Telegram 243 to Madrid, Sept. 25. (711.56352/9–2553)

Spanish Air Force in defense. However, if we did not desire to do this, we have the option to take our planes out.

It seems to me that this is a reasonable provision for the Spanish Government to seek and if, as I understand, it is acceptable to Defense, then I do not think that State should interpose objection on constitutional grounds.

JOHN FOSTER DULLES

No. 907

Editorial Note

On September 26, the following documents were signed in Madrid by the Spanish and American negotiators: a Defense Agreement, together with a Note Pursuant to the Second Paragraph of Article III of the Defense Agreement and a Technical Agreement Annex to the Defense Agreement; an Economic Aid Agreement; a Mutual Defense Assistance Agreement, together with a Tax Relief Annex and an Interpretative Note in regard to the Tax Relief Annex; Technical Schedule No. 1: Acquisition and Development of Agreed Land Areas, Rights-of-Way and Facilities; Technical Schedule No. 2: Construction Procedures; Technical Schedule No. 3: Utilization of Agreed Areas, Rights-of-Way and Facilities; and Technical Schedule No. 4: Personnel. The Defense Agreement (without the Note and the Technical Agreement), the Economic Aid Agreement, and the Mutual Defense Assistance Agreement, together with the Tax Relief Annex and the Interpretative Note in regard to the Tax Relief Annex, are printed in *United States Treaties and Other International Agreements* (UST), volume 4 (pt. 2), page 1876. The Defense Agreement, the Economic Aid Agreement, and the Mutual Defense Assistance Agreement, along with the Tax Relief Annex, are printed in Department of State *Bulletin*, October 5, 1953, page 435. The Note Pursuant to the Second Paragraph of Article III of the Defense Agreement, the Technical Agreement Annex to the Defense Agreement, and the four Technical Schedules remained secret. Each of the Agreements entered into force upon signature.

No. 908

752.5 MSP/10-2253: Telegram

The Ambassador in Spain (Dunn) to the Department of State

SECRET PRIORITY MADRID, October 22, 1953—4 p. m.

331. Deptel 330, October 19. [1] Subject: Development Tentative Fiscal Year 1955 Aid Program.

We believe that $240 million balance of $465 total aid should be programmed over two year rather than three year period as follows:

1. For fiscal year 1955, total aid $170, of which $140 for MDAP and $30 million economic aid.

2. This would leave $70 million as amount necessary to program after fiscal year 1955 in order to fulfill our formal commitment to Spanish Government. For present planning purposes, we would propose that this entire $70 million be considered as going to MDAP in fiscal year 1956, thus completing program in magnitude envisioned in exchange of notes with Spaniards.

3. While we have repeatedly discouraged Spanish Government re prospects for large amount of economic aid after current fiscal year, there is no doubt that the government, as such, expects some economic assistance and Spanish people certainly do. An amount in excess of that proposed above could readily be justified on purely economic grounds but we believe the $30 million proposed might suffice to maintain the friendly cooperation necessary to the construction and operation of the joint military facilities.

4. Whether or not it will be possible with the $85 million economic aid provided this year together with the $30 million proposed above for fiscal year 1955 to provide adequate defense support for US objectives, including the preservation of economic stability, it is not now possible to say. Certainly, however, it can be said that this amount should be regarded as an absolute minimum.

5. Re objectives of economic aid program in fiscal year 1955, we concur your general statement fifth paragraph reference telegram with possible exception of hydroelectric power. Our tentative reservation re hydroelectric power development stems not from any doubt as to its necessity but rather from some doubt as to its proper order of priority in relation to the other major deficiencies in the economy which require attention.

6. In arriving at conclusions outlined above, we have, following your suggestion, regarded requirement for counterpart for base

[1] Telegram 330 requested the Embassy's views on the disposition of the remaining aid promised to Spain in return for the bases. (752.5 MSP/10-1953)

construction as important, but subsidiary, consideration. Under our agreement with the Spanish Government that 60 percent of all counterpart generated by economic aid can be used for military facilities construction program, $69 million in pesetas would be available for this purpose if $30 million in economic aid in fiscal year 1955 were to be added to the $85 million now appropriated. This amount of disposable counterpart does not seem likely to be sufficient to cover completely the peseta cost element of the first phase of the construction program but it will, nevertheless, cover a major part of these costs and thus contribute greatly to US military objectives.

7. The fact that $69 million in peseta equivalent is less than the total amount of local currency likely to be required is of somewhat less importance since we believe Spanish may agree to purchase up to $20 million in surplus US wheat and other grains with pesetas on understanding that this would be in addition to fiscal year 1954 economic aid. Believe Spaniards would agree that pesetas accruing to US would be used for base construction and possible telecommunications system supporting bases. Please hold this latter point in greatest confidence since we have not discussed with Spaniards. We shall be exploring this aspect further with Dr. FitzGerald when he arrives Madrid.

8. JUSMG have seriously considered the time phasing of the MDAP aid proposed in paragraphs 1 and 2 above and regards the suggested phasing as most realistic appraisal now possible.

DUNN

No. 909

752.5 MSP/11-1253

Memorandum of Conversation, by Robert W. Barnett of the Office of Western European Affairs

SECRET WASHINGTON, November 12, 1953.

Subject: Aid to Spain

Participants: Mr. Nolting—S/MSA
Mr. Moreland—S/MSA
Mr. Moore—RA
Mr. Jones—WE
Mr. Barnett—WE

A meeting took place this afternoon in Mr. Nolting's office (S/MSA) to establish, subject to Mr. Merchant's (EUR) concurrence,

the Department's position on Embassy Madrid's recommendation [1] regarding programming of U.S. aid to Spain. Discussion proceeded from the fact that the United States had declared to the Government of Spain its intent "to provide a total program in the amount of $465 million over a period of four years, subject to Congressional appropriation." [2] There was a consensus that this commitment should be fulfilled and that $465 million should continue to be, for the four years, the ceiling of aid to which this government is committed. There was also a consensus that the new obligational authority necessary to supply this aid could be requested from the Congress in two stages, i.e. in FY '55 and FY '56, rather than in the three stages previously contemplated, provided that the Government of Spain would be advised appropriately, that appropriation by the Congress of the United States of funds in FY '55 which might be considered disproportionately high for a four year program should not be considered by Spain as indication that the United States Government contemplated requests for successive appropriations in later years which would exceed, in total, the $465 million total for the four year period.

This consensus was reached on the basis of Embassy Madrid's view that our commitment to Spain would be met by providing an additional $239 million whether it be over the next two or the next three years, that the Spanish armed forces could absorb equipment at the accelerated rate proposed, that the greatest need for economic aid to counter the inflationary impact of the base program would be in the latter part of FY '54 and all of FY '55, and that the Spanish expectations for economic aid should be met soon in order to maintain friendly cooperation in the construction and operation of joint military facilities. Account was also taken of the fact that Defense and FOA are understood to have accepted Embassy Madrid's recommendation.

In view of the desirability of eliminating, if possible, appropriation requests in FY '55 for any economic assistance for the Title I area, it was considered important that to the extent possible FY '55 aid for Spain should cover imports which could be justified, within the framework of a Defense foreign aid Title, as covering items directly related to military need. This might be possible if such imports were common use items, transportation equipment, industrial items for the munitions industry, other items related to the needs of the Spanish defense establishment, or McClellan Amendment

[1] The recommendation under reference was contained in telegram 331 from Madrid, Oct. 22, *supra*.

[2] The declaration cited here was contained in Document 904.

types of agricultural commodities. [3] It was the opinion of WE that Spanish imports under the comtemplated $30 million economic aid for FY '55 could all qualify under this definition, even though items are being procured under the $85 million program for FY '54 which do not.

It was, accordingly, agreed that Embassy Madrid's recommendation should be accepted by the Department, subject to Mr. Merchant's approval, and that Embassy Madrid should, with Defense-FOA concurrence, be informed, and instructed to advise the Government of Spain. [4]

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[3] The McClellan Amendment was Section 550 of the Mutual Security Act of 1953, P. L. 83–118 (67 Stat. 152), July 16, 1953. It authorized the use of between $100 million and $250 million of military aid funds for financing the purchase by foreign countries of surplus agricultural commodities.

[4] The Embassy in Spain was informed of the decision in telegram 411 to Madrid, Nov. 20. (752.5 MSP/10–2253)

No. 910

S/S–NSC files, lot 63 D 351, NSC 72 Series

Memorandum by the Acting Secretary of State to the Executive Secretary of the National Security Council (Lay) [1]

SECRET WASHINGTON, February 15, 1954.

THIRD PROGRESS REPORT ON "UNITED STATES POLICY TOWARD SPAIN" (NSC 72/4 [2] SUPERSEDED BY NSC 72/6 [3] ON JUNE 28, 1951)

[Here follows Part I, a seven-page summary of the base negotiations.]

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[1] This memorandum underwent a lengthy process of revision prior to submission in its present form to the National Security Council. It was initially drafted in the Office of Western European Affairs as a status report on the negotiations as of May 20, 1953. (S/S–NSC files, lot 63 D 351, NSC 72 Series) It was revised effective Sept. 26, 1953, to take account of the conclusion of the negotiations. (711.56352/9–2653) By the time of its submission to Lay on Jan. 26, 1954, it had been drastically reduced in size. Because the report did not include in that form an evaluation of the progress made by the United States in attaining its objectives as outlined by NSC 72/6, it was returned to the Department of State on Jan. 27 for completion. The result was this paper, which was presented to the National Security Council at the Mar. 11 meeting. During the course of that meeting, the NSC reaffirmed the goals of NSC 72/6 as stated in this report, but did so only pending "review by the Planning Board of this policy." (Memorandum of discussion at the 188th meeting of the National Security Council, Mar. 11, 1954; Eisenhower Library, Eisenhower papers, Whitman file)

[2] For the text of NSC 72/4, Feb. 1, 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, p. 789.

[3] For the text of NSC 72/6, June 27, 1951, see *ibid.*, p. 820.

PART II

EVALUATION

The first two national security objectives of U.S. policy toward Spain, as stated in NSC 72/6 of June 28, 1951, are:

(1) to develop urgently the military potentialities of Spain's strategic geographic position for the common defense of the NAT area; and

(2) to concentrate planning on the use of Spain for the common defense, not solely for the defense of the Iberian peninsula.

These objectives are being successfully accomplished under the terms of the agreements signed on September 26, 1953. [4] In accordance with these two objectives, the agreements provide for the development of a program covering the joint use of Spanish air and naval facilities and the extension of appropriate economic and military end-item assistance to support the program of military cooperation. This program, which takes full advantage of Spain's geographic position, is designed to contribute to the common defense of the NAT area. At the same time the program, which will include military equipment essential to the defense of the joint air and naval facilities in Spain, will also contribute to strengthening the defense of Spain.

Little or no progress has been made toward the third and fourth objectives of NSC 72/6: (3) assisting the Spaniards to improve their relations with the NAT nations and (4) obtaining early Spanish participation in NATO. Progress toward these two objectives has been seriously impeded by the Spanish Government's pursuit, even after the signing of the agreements with the U.S., of policies antagonistic to the interests of some members of NATO. For example, the recent unilateral acts of the Spanish Government with regard to Morocco and Gibraltar have, at least temporarily, substantially reduced the possibilities of improved relations with France and Great Britain. However, it is anticipated that in the long run the closer ties between the U.S. and Spain resulting from the agreements will not only strengthen the military preparedness of the NAT area, but also will facilitate the progressive improvement of Spain's relations with the Western European community and Spain's eventual participation in NATO.

While substantial progress is being made in fulfilling the first two objectives of NSC 72/6, it is considered that they still constitute appropriate and desirable goals of U.S. policy toward Spain. It is believed that the third and fourth objectives of NSC 72/6 also

[4] For a summary of these agreements, see Document 907.

continue to be appropriate and desirable policy goals. It is recommended, therefore, that the NSC confirm these four objectives as U.S. policy goals with respect to Spain.

W. B. SMITH

No. 911

752.5 MSP/10-2953: Telegram

The Secretary of State to the Embassy in Spain [1]

SECRET WASHINGTON, March 19, 1954—7: 12 p. m.

715. Cotel. Recommendations and comments Embtels 331 [2] and 345, [3] regarding division $239 million balance $465 million total aid to Spain, used by State, Defense and FOA as basis for recommended FY 55 aid program for Spain. However, view reduced size total FY 55 foreign aid program finally established by Executive Branch, Spanish aid program of magnitude originally recommended for FY 55 no longer feasible. Foreign air program now being prepared for submission Congress will therefore include $104 million for Spain for FY 55—$30 million economic aid, $74 million military aid. May of course be necessary change these amounts depending on final action by Congress or as result changed conditions affecting foreign aid program.

Pursuant your letter September 24 [4] to Foreign Minister you may advise Spanish authorities in your discretion. [5]

DULLES

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[1] Drafted by Dunham and cleared with Moreland, FitzGerald, Anderson, and Jones.

[2] Document 908.

[3] Telegram 345 from Madrid, Oct. 29, elaborated on the arguments made in telegram 331. (752.5 MSP/10-2953)

[4] Document 904.

[5] Dunn confirmed in telegram 691 from Madrid, Mar. 26, that he had informed Martin Artajo of the reduced amounts of aid available for Spain in fiscal year 1955. (752.5 MSP/3-2654)

No. 912

FOA telegram files, lot W-130, "Madrid Tousfo". Telegram

The Director of the United States Operations Mission in Spain (Williams) to the Foreign Operations Administration

CONFIDENTIAL
PRIORITY

MADRID, March 23, 1954—6 p.m.

Tousfo 167. Reference: Usfoto 169. [1] Paradoxically first year US aid Spain, i.e., fiscal year 1954, likely witness deterioration Spain's economic position. Some extent situation grows out of timing and character forces adversely affecting Spanish economy. Some precluded preventative or immediate counter-action via aid program.

Dominant forces were:

(a) Unusually severe drought in spring and summer 1953 with disastrous effect on wheat crop and electric power supply, latter which still persists in sufficient severity to necessitate power cutoffs throughout country; and

(b) Loss substantial portion of citrus fruit crop (Spain's most important non-dollar foreign exchange earner) as result of unusually severe frosts this winter in south and southwestern Spain; and

(c) Olive trees likewise suffered frost damage which, while not seriously affecting exports this fiscal year, will reduce exports of olives and olive oil in fiscal year 1955. These un-anticipated and dominant factors aggravated by chronic weaknesses in Spanish economy marked by shortages in almost all categories raw materials, equipment and facilities.

Event (a) above has or will necessitate foreign exchange outlays for wheat imports in following approximate amounts expressed in dollars: $52 million, in dollars; $14 million in other foreign exchange; and $20 million in pesetas. [2] Thus emergency expenditures wheat alone during present fiscal year will exceed, in terms of financial resources, total economic US aid for same period. Reduced exports resulting from (b) above seem likely to result in foreign ex-

[1] Dated Mar. 12, this telegram requested that the Mission chief send by cable "outstanding examples of achievements" made by the Mission during fiscal year 1954 for use in Congressional hearings for fiscal year 1955 budget appropriations. (FOA telegram files, lot W-131, "Madrid Usfoto")

[2] In response to urgent appeals by Williams and Dunn in February and early March, the President approved on Mar. 12 the allocation of $20 million under the terms of Section 550 of the Mutual Security Act of 1953 for the emergency purchase with pesetas by Spain of surplus American wheat. The $52 million and $14 million figures pertained to Spanish purchases made from other sources. Documentation on the Spanish-American wheat deal can be found in FOA telegram files, lots W-130, "Madrid Tousfo", and W-131, "Madrid Usfoto", in DMS files, lot W-1444, "Spain", and in Department of State files 852.2311 and 752.2311.

change losses of a minimum of $30 million. Latest Spanish Government estimate approximately $50 million.

Such inherent weaknesses in economy as are reflected in: Low level of monetary reserves; chronic shortages of industrial raw materials; equipment and facilities; persisting electric power shortages (even in years of good rainfall); continued heavy absorption available investment funds in Government sector; and low per capita real income and savings, have not provided much of a cushion against adversity. These weaknesses added to by cumbersome and restrictive trade controls, which to considerable degree occasioned by necessity to balance trade in each and every currency (Spain not being member of EPU). Actually somewhat remarkable that Spain has managed to maintain at least appearance of slow but continuing economic development.

Inflationary pressures steadily increasing in advance of other pressures which will result from base construction program. Recent substantial wage increases across board, increases in coal, cement and steel prices and electricity and railway freight rates can be expected to be reflected in increased prices generally, since there has been no comparative increase in productivity to offset these added costs.

Spanish Government's earlier hope that economic aid this year would provide prerequisites essential to introduction of some flexibility and resilience in economy seriously dashed by necessity to use large part aid ($30 million in raw materials) not to increasing production but rather to maintaining production rates of last year.

Washington has been kept fully informed of discussions with Spanish Government re programming fiscal year 1954 economic aid. Process has not been rapid. This stems from (a) fact that FOA Madrid has felt this should be done on soundest analysis and surveys with due weight to all pertinent factors, and (b) lack of familiarity of Spanish of our required procedures and regulations, lack in Spanish of essential data, and their long ingrained approach quite foreign to that in US generally.

Spanish thoroughly familiar nature and amounts US aid to European and other nations in past and efforts US to dispose of surpluses. Also thoroughly familiar provisions in past for use of counterpart as contrasted restricted provisions US/Spanish agreements. As already indicated by FOA/Madrid to FOA/Washington, Spanish officials frequently refer to foregoing and also to their seeming relative importance to US of direct attainment of military objectives rather than building Spanish economy and thus support military objectives.

Convinced of existing good will of Spanish and their high regard for US, its peoples and worldwide objectives. Nevertheless many

political, economic, and social segments and factors present serious problems to Spanish interministerial committee and not all such segments and factors wholly in accord recent US/Spanish agreements.

Can feel some restiveness, doubts and disappointments in Spanish. Fact that unwarranted is not complete answer. This points to fact continuing efficacy US military objectives in Spain inextricably interwoven with maintenance existing good will and appreciation by Spanish of US efforts which in part will be measured by attitude US as expressed in aid toward building Spanish economy.

In light foregoing Department's Cotel 715 [3] poses very real and urgent problems. It is recalled the $30 million figure for fiscal year 1955 first suggested Embtel 331 October 22, 1953 [4] dispatched before Williams' arrival Madrid. This stated "whether or not it will be possible with the $85 million economic aid provided this year together with the $30 million proposed above for fiscal year 1955 to provide adequate defense support for US objectives, including the preservation of economic stability, it is not now possible to say. Certainly, however, it can be said that this amount should be regarded as an absolute minimum". Same telegram further stated "an amount in excess of that proposed above could readily be justified on purely economic grounds but we believe that $30 million proposed might suffice to maintain the friendly cooperation necessary to the construction and operation of the joint military facilities".

Now, six months later, we might still be persuaded that $30 million might suffice to maintain the economic stability and friendly cooperation necessary to the construction of the bases, but we are firmly persuaded that this minimum will greatly disappoint Spanish even though they have not been led to feel more was to be expected. We are firmly persuaded of Spanish reaction adverse to US interests if such minimum amount earmarks (1) any part for surplus commodities or (2) counterpart generated be used for purposes other than direct support of economy. Feel that relaxation of present counterpart provisions would ease adverse Spanish reaction and also offer surest way of bringing aid program home to peoples of Spain. Small loans to individual farmers and to privately-owned smaller industries enabling them to put up 100 percent counterpart for such dollar aid as we might provide them seems best way of providing direct assistance to those groups which experience in other countries has proved most telling. As things now stand we can entertain little hope that either the Spanish Govern-

[3] *Supra.*
[4] Document 908.

ment which in some quarters inclines toward public control and ownership or the private banks which in one way or other control most large private companies, will provide the kind of interim local financing which most worthy firms or individuals would, even in our own country, require.

Airgram follows today setting forth accomplishments FOA/Madrid fiscal year 1954. [5] Without detailing feel major accomplishment establishment such relationship between FOA/Madrid and Spanish officials influential businessman as to convince latter of our integrity, intentions, interest in Spain and in use available economic aid funds for purposes which will best strengthen Spanish economy and improve conditions of mass Spanish people. Inculcation of such feeling in Spanish makes reasonably possible securing essential data and we sense increasing willingness of Spanish to seek advice and to respect methods of FOA/Madrid.

Have discussed foregoing with Ambassador and he concurs.

WILLIAMS

[5] Not further identified.

No. 913

752.5 MSP/4-254: Telegram

The Ambassador in Spain (Dunn) to the Department of State

CONFIDENTIAL
PRIORITY

MADRID, April 2, 1954—8 p. m.

712. Embtel 691 March 26. [1] Re Arburua visit. [2] Following is summary of *note verbale* received from Foreign Ministry requesting reconsideration of sum indicated to be requested from Congress for economic and military aid to Spain fiscal year 1955.

Begin summary. Referring to oral information by Embassy to Foreign Office regarding prospective economic aid figure of $30 million and military aid figure of $74 million, total $104 million, the Ministry states that, following agreement among Spanish Gov-

[1] Telegram 691 reported that Dunn had informed the Spanish Government of the information contained in Document 911. (752.5 MSP/3-2654)

[2] Minister of Commerce Arburua, Under Secretary of Foreign Economy Arguelles, and Under Secretary of Industry Suarez were invited by Stassen on Mar. 20, to visit Washington on Apr. 5 for 3 days of informal consultations and an additional period of travel to points of interest in the United States. (DMS files, lot W-1444, "Spain") The decision to extend the invitation, as expressed in telegram 574 to Madrid, Jan. 22, was part of a general policy to "coordinate foreign official visits for this year, keeping them within reasonable limits with appropriate distribution among friendly nations." (611.52/1-2254)

ernment, it desires to set forth reasons, its judgment, which require an increase in aid figures indicated. Agreements signed between Spain and US September 26, 1953 have as objective incorporation Spain into defensive organization of West on terms full effectiveness. For this purpose is indispensable establish national economic potential on level corresponding to defense objectives, especially when sound political and psychological base exists.

Embassy aware extremely difficult economic conditions existing Spain during last 8 years and only extraordinary effort of will of Spanish people has permitted maintenance of country in psychological and political situation lending itself to defense of West. Not only general circumstances following post war have served to limit economic development Spain, but also more rapid recuperation of neighboring countries as result of generous financial aid of US, which has contributed to imbalance between economy of Spain and progress experienced by neighboring countries. Unnecessary to dilate on details real necessities Spanish economy but limiting such only to those which constitute specific base for military defensive capacity, e.g. munitions production, electrical energy, cement, iron, steel, means of communications etc. Government of US well informed regarding details and would appear certain no doubt may exist with regard to disparity between suggested aid figure of $74 million and aid which Spanish economy requires in order to reach minimum level of recuperation during next year. Spanish Government also believes it desirable have in mind for political and strategic reasons necessity for accelerating in all ways possible Spanish military preparation.

There are other circumstantial conditions which must also be kept in mind relative to 1954–1955 as affecting Spanish economic position. These are the unforeseeable reduction Spanish foreign trade during current year as result adverse weather conditions and consequent necessity mass imports of cereals and on other hand large reduction foreign exchange earnings owing reduction export citrus fruits following freeze, of which US Embassy is well aware. Drain on economy as result of foregoing causes amount to more than $100 million for cereal purchases and $60 million loss citrus exports, expressed in dollars. This considerable loss reduces greatly possibilities for recuperation our economy during next year and as result military defensive capacity of country.

Ministry states its perfect comprehension American point of view as made public with regard to development of foreign trade instead of aid as means of re-established economies and military potential but points out that where in this criterion is eminently justified when applied countries which have enjoyed generous US aid, it is not applicable to Spain which needs recoup lost time in benefit of strategic and ideological principles which constitute base of agreement between Spain and US.

Ministry of Foreign Affairs requests Embassy to convey to administration urgent necessity for considerable increase in aid sums which have been indicated in principle as the amount of financial aid for next year and expresses appreciation for any steps that may be taken towards that end. *End summary.*

DUNN

No. 914

752.5 MSP/4-954: Telegram

The Ambassador in Spain (Dunn) to the Department of State

CONFIDENTIAL
PRIORITY

MADRID, April 9, 1954—7 p. m.

730. Please pass to FOA and Williams. Reference: (a) Tousfo 169; [1] (b) FOA/Washington memorandum Ringer to FitzGerald, March 29, [2] copy to Dunham. Since NSC planning board scheduled consider progress Spanish program April 12, believe following views might be helpful as representing unanimous opinion of both Embassy and FOA here.

When ultimate congressional decisions make necessary public announcement of any FY 1955 aid figure less than for current FY, Spanish Government will be faced with disappointment both from public opinion and among its own officials themselves who have been unduly optimistic re amount US aid forthcoming. This reaction might well lead to less effective cooperation in carrying out of our Spanish program although there is no reason to believe at this point that Spanish Government will not live up to the letter of their agreement. Therefore, implementation of recommendations Tousfo 169 as reflected in reference (b), or similar devices for increasing "effective" economic aid would appear not only desirable but advisable if we wish to insure full effectiveness US program in Spain.

Believe such program might strengthen hand within Spanish Government of supporters of liberalization of economic policies which over long run is best avenue to increased foreign private investment and trade so vitally necessary here. Unless this element encouraged possible that forces which desire more government control may emerge even stronger.

DUNN

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[1] Dated Mar. 25, this telegram urged the appropriation of more than $30 million for economic aid to Spain for fiscal year 1955, and, if this was not possible, to use the counterpart funds generated by whatever was appropriated for economic purposes, as opposed to base construction, in order to increase the effective level of economic aid. (FOA telegram files, lot W-130, "Madrid Tousfo")

[2] Not further identified.

No. 915

DMS files, lot W-1444, "Spain"

Record of Meetings Between the Spanish Minister of Commerce and Certain United States Representatives, Washington, April 1954 [1]

Discussions of Spanish Minister of Commerce With U.S. Officials

1. This report summarizes the main points made by the Spanish, and reactions thereto of U.S. officials, during the meetings which I attended. These included meetings with the following U.S. officials:

Under Secretary Smith and Assistant Secretaries Merchant and Waugh of the Department of State; [2]
Secretary of Defense Wilson;
Under Secretary Burgess of the Treasury Department;
Deputy Assistant Secretary Smith of the Commerce Department;
Assistant Secretary Davis of the Department of Agriculture;
Director of Foreign Operations Stassen and Deputy Director for Operations FitzGerald of FOA; and
Managing Director Edgerton of the Export-Import Bank of Washington.

2. The Spanish Minister of Commerce and the Under Secretaries of Foreign Economy and Industry were present at each session, except that the Minister was not present at the meeting with the Deputy Director for Operations of FOA. The Spanish group also had meetings with the President of the United States [3] and the Secretary of Commerce, at which I was not present.

3. The remarks made by the Minister of Commerce at each of these sessions were substantially the same. He invariably began by expressing appreciation at the opportunity to meet with U.S. officials, and referred to the pleasure of the Spanish Government and of General Franco at his having received this invitation. He then stated that it was not his desire to create problems and difficulties for us, but that he was anxious to explain to us the economic facts and difficulties which confront Spain. He then proceeded to review Spain's economic situation and recent developments and problems.

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[1] Copies of this paper, which was drafted by Gulick on Apr. 12, were transmitted to Stassen and to Ambassador Dunn in Madrid.

[2] A record of the conversation under reference, dated Apr. 6 and drafted by Jones, is in file 752.13/4-654.

[3] No record of this conversation has been found in Department of State files. According to a memorandum by Gulick to Coleman, Mar. 31, the interview with the President was intended to be "a matter of courtesy only." The meeting took place on Apr. 7 at 11 a. m. (DMS files, lot W-1444, "Spain")

The detail varied considerably from session to session, but the general points made were always approximately the same.

4. The main facts and conditions which he mentioned at one or more of the sessions were as follows:

a. He laid great stress upon the achievement during the two plus years that he has been Minister in restoring financial stability, arresting inflation and reducing internal controls and rationing.

b. He stated that liberalization of foreign transactions was not yet possible, however, because Spain has a structural balance of payments deficit which can only be controlled by controls on foreign trade.

c. Spain has largely been able to suppress the black market in pesetas, e.g., in Tangier, by mobilizing tourist and remittance earnings through giving an especially favorable exchange rate for such earnings, and eliminating the practice of licensing cotton imports sin divisas.

d. The priority import requirements which Spain must meet with its available foreign exchange earnings are, first, necessary food for its people; second, necessary raw materials for industry; third, industrial expansion, particularly in the field of utilities and services for industry generally, such as electricity and transport, and, finally, military production.

e. The disruption of production and depletion of reserves during the Civil War and subsequent economic dislocation have prevented Spain from making any substantial progress since then because of the inability to do more than provide the necessary food for the people and raw materials to some extent for industry.

f. During the current year Spain had hoped to be able, having achieved financial stability and eliminated internal controls, to proceed with its very urgently needed development programs and liberalize foreign trade controls.

g. However, the adverse effect of the drought and consequent abnormal grain import requirements, and the freeze and consequent diminution of normal exchange earnings, has more than offset the availability of FOA aid and greatly limited Spain's ability to proceed with its development programs. Spain has had to purchase 1.4 million metric tons of grain this year (including the 300,000 tons to be purchased from CCC with pesetas [4]) representing an exchange drain of about $90 million equivalent, a large portion of which is in dollars. The loss of oranges from the freeze is estimated at 500,000–600,000 tons, compared to the 1.2 million which had been expected, and 400,000 from the one million tons which was achieved in 1953. It is estimated that the loss of exchange earnings involved will be approximately $50–$60 million equivalent. These losses have already resulted in reductions in Spanish imports from France, Germany and other countries to which oranges are Spain's main export.

h. The average peseta exchange rate for exports over the past year had been about 33–35 to the dollar. This represents in fact a substantial strengthening compared to 1949, when much of Spain's

[4] For additional information on this purchase, see footnote 2, Document 912.

trade was carried on under compensation accounts. The implicit rate reflected in these compensation transactions was often as high as 120 pesetas to the dollar. Arburua ended compensation accounts because of the demoralizing effect of transactions at indefinite exchange rates upon the internal price structure and foreign trade generally.

i. As to the danger of inflation, particularly with respect to the recently granted wage increases of 30–35 per cent, the Minister was confident that only limited price readjustments would result. In particular, he was certain that it would be possible to avoid increases in the prices of bread, oil, footwear and cotton textile clothing, which are the main items in the basic cost of living of the working population.

j. Spain is most anxious to stabilize its currency, liberalize trade and in particular to serve foreign investment in the country in order to encourage further investment along the lines accepted in the Economic Aid Agreement. However, its ability to do these things depends upon its foreign exchange position, which continues extremely tight. Until Spain is in a better position on foreign exchange, it would not be practical for it to take substantial steps to liberalize further.

k. Spain's ability to proceed with the economic development, which is desperately needed by its people and which its people expect to flow from the recent agreements, depends upon its financial resources, both foreign exchange and internal. Spain's ability to finance internal expenditures is severely limited because of its unwillingness to disturb the financial stability, recently achieved, by further inflationary credit expansion.

l. Spain's foreign exchange commitments at short term (3–6 months credits) amount to $100–$120 million, and its longer term commitments (6 months to 3 or 4 years) total $130 million. Over the last year the long term commitments have somewhat increased and the short term ones are relatively unchanged.

5. When it came to requested action by us, the Spanish were extremely cautious and modest in their demands. The Minister invariably repeated that Spain had no desire to be a burden and that they were well aware of the many commitments of the U.S. He stated that the Government of Spain would continue to cooperate fully in our joint programs, regardless of what might be done with respect to U.S. aid to Spain, and that the government would continue to push ahead with its development programs as fast as it could, whatever was provided in the way of aid. They made it clear, however, that they very much hoped that the U.S. would be able to see its way, particularly in view of the economic misfortunes which have befallen Spain during the past year, to increase the amount of aid furnished, particularly economic aid, and to make available additional counterpart, specifically the counterpart of FY 1955 economic aid, for general economic development purposes. The Minister also emphasized that Spain would like to continue to procure surplus agricultural commodities against peseta payment, mentioning specifically corn, soybean oil, perhaps more wheat and cotton.

In talking to the Assistant Secretary of Agriculture, however, he stated quite positively that the exchange rate arranged on the $20 million wheat purchase was accepted only as an exceptional matter in this case because of the urgency of the situation and the Spanish recognition of the difficulty of working out the transaction. The Minister made clear on a number of occasions that the rate of exchange which he would hope increasingly to point toward for a unified Spanish rate with respect to imports and exports would lie in the 33–35 pesetas to the dollar range.

6. The U.S. officials talking to the Spanish named the following important points:

a. Dollar aid grants are generally declining, and it will be difficult to increase such aid above the illustrative figure of which the Spanish have been informed. The Deputy Director for Operations of FOA said explicitly that his own opinion was that it would be undesirable to attempt to modify the illustrative figure during the course of Congressional consideration of the program. Several officials stated that some flexibility might be expected in the foreign aid program after Congressional action, and that the Spanish situation would be closely considered along with those of all other appropriate countries before final aid allocations were made. Both the Director for Foreign Operations and the Deputy Director for Operations of FOA urged the Spanish to present additional factual information with respect to Spain's economic situation, prospects and plans, particularly as to foreign exchange availabilities and requirements.

b. With respect to possible availabilities of surplus U.S. agricultural commodities, everyone made clear to the Spanish that much depended upon the form which any legislation which may emerge would take. On the whole, however, they were given considerable encouragement that some program of this character would be available during FY 1955.

c. The possibility of guarantees of private credit or of direct Export-Import Bank credit to Spanish concerns or U.S. suppliers was mentioned by the Under Secretary of State and the Managing Director of the Export-Import Bank, and discussed at some length.

No. 916

Spanish Desk files, lot 58 D 344, "Agreements—General, 1954"

Memorandum of Conversation, by the Director of the Foreign Operations Administration (Stassen)

WASHINGTON, April 20, 1954.

1. Both Mr. Stassen and the Minister [1] expressed great pleasure that the visit had been possible because of the better mutual un-

[1] The Spanish party returned to Washington on Apr. 19 after having completed an 11-day tour of Chicago, Detroit, and New York.

derstanding which was facilitated by direct personal contacts, and expressed the hope that continued visits and meetings between U.S. and Spanish officials in both Spain and the U.S. would follow.

2. The Minister explained that, as he had pointed out at the first meeting with Mr. Stassen, he had not come to America to make specific demands, but that he had wanted to make us aware of Spain's economic needs.

3. Mr. Stassen said that he fully understood the Minister's position in this regard. He stated that we recognize that it is important for the countries with which we have close military and political relations to be successful economically. The illustrative economic aid figure which is included in our Congressional material was developed before the full effect of last year's drought was known to us and before the freeze had occurred. In the light of the information which the Minister presented, and which has come to us from other sources, he considered that we would want to find a way to provide some additional assistance. As to the amount and manner in which this might be done, it would have to be considered by all the agencies concerned in the light of Congressional action on the mutual security appropriation and other legislation. An agricultural surplus disposal program is one possibility. Specific programs would develop over a period of time during the coming year.

4. Minister Arburua mentioned the following specific measures which he thought might be helpful: (a) additional aid; (b) surplus commodity programs (the Minister re-emphasized that he considered the 42.5 pesetas to the dollar exchange rate included in the wheat transaction highly exceptional and not acceptable as a precedent); (c) relaxation of the agreement whereby counterpart is used for base construction, and (d) financing of defense support transportation facilities and defense production facilities from military aid rather than economic aid funds.

5. Commenting on 4 (d) above, Mr. Stassen said that he did not consider it desirable to supplement the economic assistance by reduction of military aid; that both were related and important. Minister Arburua indicated agreement.

6. The Minister stated that he had not actively explored the question of credit, e.g., with the Export Import Bank, because Spain is already burdened with a heavy schedule of loan repayments over the next 5 to 7 years. He mentioned a figure of $150 million. He indicated, however, that it would be possible to under-

take obligations over a longer period in connection with aid financing of projects.

No. 917

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 201st Meeting of the National Security Council, Wednesday, June 9, 1954[1]

TOP SECRET EYES ONLY

There were present at the 201st Meeting of the Council the President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were Mr. Tuttle for the Secretary of the Treasury; the Attorney General (for Items 1 and 2); the Secretary of the Interior and the Secretary of Commerce (for Item 1); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (for Items 2, 3, 6 and 7); the Acting Federal Civil Defense Administrator (for Items 2 and 3); Assistant Attorney General Barnes (for Item 1); the Secretary of the Army; Under Secretary of Commerce Murray (for Item 1); Assistant Secretary of the Interior Wormser (for Item 1); the Under Secretary of the Navy; Robert Amory, Jr., Central Intelligence Agency; the Chairman, Joint Chiefs of Staff; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President; the White House Staff Secretary; the NSC Representative on Internal Security; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

Following is a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of items 1–4, national petroleum policy, organizational arrangements for continental defense, proposal for an international moratorium on future tests of nuclear weapons, and a report on the Indochina situation.]

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[1] Drafted by Gleason on June 10.

5. *United States Policy Toward Spain* (NSC 5418; [2] Memo for NSC from Executive Secretary, same subject, dated June 1, 1954 [3])

Mr. Cutler gave the Council a lengthy briefing on the Planning Board report, pointing out the various areas of disagreement.

With respect to one such disagreement—namely, the degree of inflationary impact on the Spanish economy which would be occasioned by the expenditures for the U.S. base program—Secretary Dulles pointed out that the velocity of money was more significant than the amount, and he doubted whether any safe prediction could be made.

. . . . . .

The National Security Council:

a. Adopted the statement of policy contained in NSC 5418, subject to the following amendments:

(1) *Paragraph 4:* Revise the last two sentences to read:

"Of these elements, the most important is the Army, which is firmly under Franco's control. Its prestige will be further strengthened by the U.S. aid and base programs."

(2) *Paragraph 6:* Delete the bracketed phrase and the footnote thereto, and substitute "cannot now be estimated".

(3) *Paragraph 7:* Revise to read as follows:

"7. In the event of Franco's death, a successor regime composed of the same elements would probably attempt to continue the main outlines of his internal and external policies. It seems likely that such a successor regime would be able to preserve stability, though not to the same degree which now exists in Spain. However, a struggle for power might develop, with results which cannot now be estimated."

(4) *Paragraph 14:* Insert, after "geographic position", the words "and of its armed forces".

(5) *Paragraph 16:* Delete subparagraph c.

(6) *Paragraph 18:* Revise subparagraph b to read as follows in lieu of the alternative proposals:

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[2] As a result of the Mar. 11 decision by the NSC to undertake a review of NSC 72/6 (see footnote 1, Document 910), the NSC Planning Board scheduled a discussion of policy toward Spain for its Apr. 12 meeting and requested that the Department of State submit prior to that date a draft NSC Staff Study and a draft policy statement as the basis for discussion. (Spanish Desk files, lot 59 D 108, "NSC Reports") By late March, Dunham had completed the two drafts which, after undergoing revisions as a result of the Planning Board discussions, emerged essentially intact as NSC 5418 on May 14. (S/S–NSC files, lot 63 D 351, NSC 5418 Series) Initially scheduled to come before the NSC on May 28, then June 3, it was finally discussed at the June 9 meeting.

[3] This memorandum transmitted to the NSC the dissenting views of the Joint Chiefs of Staff regarding NSC 5418. (S/S–NSC files, lot 63 D 351, NSC 5418 Series)

"b. To develop forces which will increase Spain's capability primarily to defend the Iberian peninsula, including defense of U.S.-occupied Spanish bases."

(7) *Paragraph 19:* Delete, and renumber the remaining paragraphs accordingly.

b. Noted that the President has decided that, for the time being under present conditions, military end-item assistance to Spain should be extended on the basis that, in general, NATO time-phased commitments will continue to have priority for U.S. aid and matériel under the NAT and MDAP.

Note: NSC 5418, as amended, approved by the President; referred to the Operations Coordinating Board as the coordinating agency designated by the President; and circulated as NSC 5418/1. [3]

[Here follows discussion of items 6–8, United States policy toward Yugoslavia, survey of conditions in Southeast Asia, and review of the status of NSC projects as of June 1, 1954.]

[3] *Infra.*

No. 918

S/S–NSC files, lot 63 D 351, NSC 5418 Series

Statement of Policy by the National Security Council [1]

TOP SECRET
NSC 5418/1

[WASHINGTON,] June 10, 1954.

U. S. POLICY TOWARD SPAIN

GENERAL CONSIDERATIONS

1. Spain's strategic geographic location is extremely important to the immediate defense of Western Europe and the Middle East and to the security of the NATO area and of the United States.

a. Spain constitutes an important addition to the world wide base areas from which U.S. strategic air forces can launch operations against major aggression.

b. The use of military facilities in Spain makes possible control of the straits of Gibraltar and the Western Mediterranean, and provides wider dispersal of bases for the conduct of offensive or defensive operations.

[1] This policy statement was a revision of NSC 5418 (see the memorandum of discussion, *supra*). In addition to the policy statement, NSC 5418/1 included a covering memorandum, dated June 10, by Lay, a financial appendix, the NSC Staff Study, an annex summarizing the base and related agreements, and a map of Spain.

c. Appropriate military forces operating from Spain can influence military operations in almost any direction over an area including all the Mediterranean, the Eastern sections of the North and Central Atlantic Ocean routes, Northwest Africa, and all of Western Europe.

d. Spain can also provide depth in the defense of Western Europe against an attack by the USSR.

e. Although Spain is not a member of NATO, its cooperation is essential from a military point of view if NATO is to be prepared strategically to meet an armed attack. Moreover, the use by the U.S. of military facilities in Spain is of major importance in order that the U.S. may discharge most effectively its assigned role in NATO.

2. Three agreements signed by the United States and Spain on September 26, 1953, provide for the development and use by the U.S. of military facilities in Spain, and the strengthening of Spain's military posture through economic and military aid. * Implementation of these agreements is expected to contribute materially to the defense of Western Europe and to the security of the NATO area.

3. To support this program of military cooperation with Spain, the U.S. informed the Spanish Government at the time the agreements were signed that, with respect to the aid envisaged by the agreements, the United States intended to provide a total program in the amount of $465 million over a period of four years, subject to Congressional appropriations. The Spanish Government was also informally given to understand that approximately $350 million would be allocated to military aid, leaving $115 million for economic and technical assistance. As the funds for military aid will equip considerably smaller forces than the Spanish desire, and as the funds for economic aid will be completely obligated before the end of FY 55, it can be anticipated that after FY 55 Spain will request assistance in addition to the $465 million total.

4. Spain (nominally a monarchy but without king or regent) is an authoritarian state with the strength and stability of the regime due in large part to General Franco's dominant position. The government derives its support principally from the Army, the Church, the landed and business interests and the Falange Party. Of these elements, the most important is the Army, which is firmly under Franco's control. Its prestige will be further strengthened by the U.S. aid and base programs.

5. Although the threat of popular unrest over living conditions which developed in the spring of 1951 has lessened, the major domestic problem of the government continues to be one of satisfying

* For a more detailed summary of the Defense, Economic Aid, and Mutual Defense Assistance Agreements, see Annex. [Footnote in the source text. The annex is not printed here but for information on the agreements, see Document 907.]

the requirements of the Spanish people with regard to their standard of living, which is lower than that of any other Western European country except Portugal. The Government's position has been strengthened by international developments, particularly the signing of the Concordat with the Vatican (August 27, 1953) and the signing of military and economic agreements with the U.S. In the eyes of many Spaniards these agreements brought increased international prestige and the hope of individual economic gain. Furthermore the organized clandestine non-communist opposition, already weakened by police action, was further discouraged by what was regarded as an alliance with the United States, to which the opposition had looked for ultimate fulfillment of its political aspirations. Consequently, the position of the government of General Franco is probably stronger than at any time since 1940, and there is at the present time no effective alternative to the existing Spanish Government.

6. If the agricultural sector of the economy is not hampered by prolonged drought, the Spanish economy as a whole will probably show moderate improvement over the next few years. The U.S. economic aid and base program will help bring about moderate increases in industrial and agricultural production. The inflationary impact of the program cannot now be estimated. However, it is unlikely that there will be any substantial progress toward remedying Spain's basic economic weaknesses. The economy will remain for many years generally backward, with a low level of living for the vast majority of the people.

7. In the event of Franco's death, a successor regime composed of the same elements would probably attempt to continue the main outlines of his internal and external policies. It seems likely that such a successor regime would be able to preserve stability, though not to the same degree which now exists in Spain. However, a struggle for power might develop, with results which cannot now be estimated.

8. The program of U.S.-Spanish military cooperation has received wide public support in the United States. Nevertheless important non-communist elements in Western Europe and, to a lesser extent in the United States, still remain hostile to the Spanish Government and feel that the United States should now exert pressure to force changes in the Spanish political system in order to bring about such democratic freedoms as free trade unions, freedom of religion, assembly, the press, etc.

9. U.S. relations with Spain must be guided by the fact that the United States will have to cooperate closely with the government of Franco in order to insure effective implementation of military arrangements of great value to U.S. security. The United States

must endeavor to avoid any identification with the policies of the Spanish Government not required for the effective implementation of these arrangements. While continuing to use its influence to persuade Spain to follow policies consonant with U.S. interests, it is important that the United States avoid steps that could be interpreted as an attempt to interfere in Spanish internal affairs. Such steps would be regarded by the Spanish Government as a threat to its security and would be considered by most Spaniards, who retain an historical xenophobia, as foreign interference in their affairs. The fundamental basis of cooperation, on which successful execution of the new arrangements depends would thus be jeopardized if not destroyed.

10. The primary interests of the United States with respect to Spain lie in (a) the success of the U.S.-Spanish program of military, economic and technical cooperation, with emphasis on the development and security of U.S. bases in Spain, (b) the improvement of relations between Spain and the NAT nations in order to tie Spain as closely as possible to Western plans for regional defense and to obtain Spanish participation in NATO at an appropriate time, and (c) the continued internal stability and non-communist orientation of Spain.

11. However, the reluctance of some NATO members to deal with Spain as an ally, the strained relations between Spain and France and Great Britain as well as Spain's distrust of multilateral organizations and accords for collective security, and particularly its lack of faith in some members of NATO, will make close Spanish association with the Western defense system and eventual Spanish participation in NATO difficult to achieve.

12. The U.S.-Spanish Agreements represent an important change from the post-World War II years when Spain was largely isolated. By signing these agreements, Spain recognized the desirability of a degree of cooperation in the interest of collective security. In the eyes of the Spanish Government, this newly-adopted concept of international cooperation is for the purpose of strengthening Spain nationally and is limited mainly to bilateral collaboration with the United States and Portugal. Spain does not feel called upon to align herself closely with other leading members of NATO such as Great Britain and France. There are no indications—indeed, there are signs to the contrary—that the Spanish Government has been moved to accept the underlying aims of the North Atlantic Pact or of the European Defense Community. However, in time of general war, Franco would almost certainly permit the United Staes to use bases in Spain.

13. Spain is not a member of the UN, having been barred from membership by UN resolutions in 1946 although it has become an

active member of many of the UN specialized agencies since one of these resolutions was modified in 1950. Spain would probably apply for UN membership whenever it felt assured of support by a majority of the Western nations, even though it would be barred by a Soviet veto. The U.S. has advised the Spanish Government on two occasions that it would support Spain's application.

OBJECTIVES

14. Development and use of the military potentialities of Spain's strategic geographic position and of its armed forces for the common defense of the West.

15. Increased understanding on the part of the Spaniards of the importance of the concept of collective security and international political and economic cooperation.

16. Improvement of relations between Spain and the NATO nations in order:

a. To tie Spain as closely as possible to Western plans for regional defense.

b. To achieve a cooperative Spanish attitude toward the objectives of the NAT.

17. Continuation of Spanish internal stability, non-communist orientation, and close relations with the United States.

COURSES OF ACTION

18. Provide appropriate military, economic, and technical assistance to Spain designed:

a. To support the program of U.S.-Spanish cooperation, established by the agreements of September 26, 1953.

b. To develop forces which will increase Spain's capability primarily to defend the Iberian peninsula, including defense of U.S.-occupied Spanish bases.

19. Implement the economic aid, military aid and base development programs in such a manner as best to support U.S. objectives in Spain while, insofar as practicable, avoiding adversely affecting Spain's economy.

20. Utilize the unique U.S. relationship with Spain to promote closer cooperation between Spain and our NATO allies.

21. a. Endeavor to avoid any identification with the policies of the Spanish Government not required for the effective implementation of the U.S.-Spanish agreements.

b. Continue to use U.S. influence to persuade Spain to adopt policies consonant with U.S. interests, but avoid steps that could be interpreted as an attempt to interfere in Spanish internal affairs.

22. Support Spanish participation in international economic and financial activities and organizations, as appropriate.

23. Direct informational policy toward:

a. Increasing Spanish understanding and support of U.S. foreign policy objectives, including particularly the collective defense efforts of the Western nations.

b. Encouraging more active and closer Spanish association with the Western European community of nations.

24. Encourage broader cultural contacts between Americans and Spaniards in the interest of building up influences within Spain favorable to the attainment of U.S. objectives, including both official and privately sponsored programs for an expanded exchange of students, intellectual leaders, military and technical personnel and private individuals.

. . . . . .

26. Encourage Spanish application for membership in the UN at an appropriate time and support that application when presented.

27. Consult at appropriate times with representatives of the governments allied with the U.S. in NATO about U.S. policy objectives toward Spain.

No. 919

Editorial Note

On June 1, President Eisenhower designated the Operations Coordinating Board as the agency responsible for coordinating the implementation of NSC 5418/1. The creation within the OCB of a Working Group on Spain, consisting of representatives from the Department of Defense (Chairman), the Department of State, the Foreign Operations Administration, the Central Intelligence Agency, the United States Information Agency, and other agencies deemed appropriate by the OCB Executive Officer, was proposed in a memorandum by Elmer B. Staats, the OCB Executive Officer, to the Operations Coordinating Board Assistants, June 17. (OCB files, lot 62 D 430, "Spain, 1954-1955") In response to an objection expressed in a memorandum, dated August 2, from Elbrick to the Under Secretary of State, a new proposal for a Working Group on Spain, in which the Department of State representative was designated Chairman, was approved on August 2 by the Board Assistants. (OCB files, lot 62 D 430, "Spain, 1954-1955") Having begun its work in late August, the Working Group, with John Wesley Jones, the Director of the Office of Western European Affairs, as Chair-

man, Brigadier General Dale O. Smith, USAF, as OCB representative, Captain Walter D. Innis, USN, as the Department of Defense representative, Clarence S. Gulick as the FOA representative, Earle O. Titus as the USIA representative, and a CIA representative produced in December a draft outline of operations for the implementation of the NSC policy on Spain. The outline of operations, after undergoing three revisions, was finally approved by the Board Assistants on January 21, 1955, and by the entire Operations Coordinating Board on February 2, 1955. (OCB files, lot 62 D 430, "Spain, 1954–1955")

No. 920

711.56352/6–1654: Despatch

The First Secretary of Embassy in Spain (Terry) to the Department of State

SECRET MADRID, June 16, 1954.

No. 925

Ref: CA–6501, May 11, 1954 [1]

Subject: Implementation of Base Agreement and Related Matters

The following report was compiled from material prepared and submitted by JUSMG, MAAG and the Embassy. It is the understanding of the Embassy that more complete information on purely military topics is available to the Department through the lengthy Monthly Activities Reports which are submitted regularly to the Department of Defense by JUSMG, MAAG, the Director of Construction, and the Officer in Charge of Construction.

Summary

While the Base Program is still in the master planning stage, actual construction is anticipated to be undertaken at some sites about September of this year. Heavy construction machinery is beginning to arrive and representatives of the prime contractor have established offices in Madrid as have the BuDocks technicians charged with supervision of the construction program in Spain.

Although the basic agreements were signed on September 26, 1953 there remained a number of technical annexes yet to be worked out. For convenience, these are now being known as "Procedural Agreements", and 4 have been concluded (Enclosures 1, 2,

[1] Circular airgram 6501 instructed that a report describing the progress of the implementation of the 1953 agreements with Spain be submitted from Madrid. (711.56352/5–1154)

3, and 4 [2]); 9 are currently under discussion between the JUSMG and the High General Staff, with others in the process of preparation for negotiation.

Under the MDAP, of approximately $42.3 million dollars programmed for the Spanish Army to date, about $5 million dollars of matériel actually has been received. Modernization of a large number of units of the Spanish Navy is in the active planning stage; only token amounts of actual equipment and matériel have yet been received. The Air Force program has been sparked by the arrival of eight (8) T-33 jet fighter trainer aircraft. Every emphasis has been directed to training activities of all three branches of the Service.

Official visits to the U.S. by Lt. General Gallarza, Minister for Air, followed closely by a group of high Spanish Army Officers now touring U.S. military installations, are expected to contribute to a better understanding on the part of the Spanish military, of the complex problems involved in coordinating our mutual defense effort. Acceptance of U.S. guidance and suggestions in military matters appears uniformly satisfactory, and relations between U.S. and Spanish military at all echelons and in all Services is reported to be excellent. Broadly speaking, the attitude in Spain toward the United States has grown friendlier and more cooperative in the eight months since the Agreements were signed. The official Spanish thesis is that the Base Agreements with the U.S. constitute Spain's contribution to Western defense. While the decision committing Spain to this action certainly must be considered an abandonment of the illusions of neutrality and at least a limited recognition of the principle of collective security, the Spanish Government has shown no inclination to accept the multilateral NATO defense concept.

[Here follows a seven-page discussion of detailed measures already undertaken in implementing the base agreement.]

(f) *Development of Spanish Attitudes toward the United States and Western Defense:*

1. *Development of Spanish Attitide toward the U.S.*

Since the agreements were signed, the Spanish attitude toward the United States, broadly speaking, has been more friendly and cooperative than at any time in recent years. This is certainly true

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[2] None printed; they were as follows: Procedural Agreement No. 5: Rules Governing the Importance of Matériel to be Used by U.S. Forces in Spain who are charged with the Execution of the Agreements Signed with the U.S. on 26 September 1953; Procedural Agreement No. 6: Drivers' Licenses; Procedural Agreement No. 7: Communications-Electronics; Procedural Agreement No. 8: Customs Declaration for Official Courier Packages. For an account of the first four Technical Annexes, see Document 907.

in official circles, and particularly as regards those elements who stand directly to benefit from the accords: the armed services, and certain branches of the economy. However, while the average citizen is well-disposed in principle toward this pact with the most powerful nation of the West, there had been a general and of course ill-founded expectation that the Agreements would result in an immediate improvement in the difficult economic lot of the individual. That such a development has not occurred has produced some disillusionment and the feeling that U.S. aid is benefiting only the officials of the regime. The position of the Catholic hierarchy, confronted with the prospect of closer relations with a fundamentally liberal and religiously heterogeneous state, continues to be reserved. The Falange, while it now publicly supports the newly created Spanish-American understanding, does so with ill grace. On the other extreme, the reaction of the traditional, but not latent, political opposition to the Franco government—the Anarchists, Socialists, and Republicans—has been, insofar as the Embassy has been able to determine, predominantly adverse, since the U.S. Agreements represent for them, in the first instance, the strengthening of a regime to which they are unalterably opposed. With respect, finally, to the official governmental attitude, General Franco defined this authoritatively in his October 1, 1953 message to the Cortes, and has not deviated therefrom since: "If the Spanish nation, serving its own interests and those of Western defense, has undertaken . . .[3] to cooperate closely with the United States, it has done so maintaining its own ideology intact and within its incorruptible sovereignty, thus inaugurating a policy of stable friendship between our two countries".[4] It goes without saying that for the regime the Agreements represent a signal triumph. Now, however, that the moment of signature, with the attendant fanfare of self-exaltation by the regime has passed into history and the period of putting the accords into effect has begun, the Spanish Government has made it clear that it is dissatisfied with one aspect of the Agreements—the amount of economic aid planned for the future. In general, nonetheless, a very favorable atmosphere towards the U.S. exists in Spain today.

2. *Spanish Attitude toward Western Defense*

It is the official Spanish thesis that the base agreement with the United States constitutes Spain's contribution to Western defense. While this first major military alliance in its modern history represents a significant departure for Spain from its past isolationism

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[3] Ellipsis in the source text.

[4] A summary of the speech under reference is in despatch 260 from Madrid, Oct 2, 1953. (752.00 (W)/10-253)

an abandonment of any illusions of neutrality and a degree of recognition of the principle of collective security, the Spanish Government's present concept of international cooperation remains limited to the strictly bilateral one of collaboration with the United States (and much less importantly, with the Portuguese under the Iberian Pact).

Although General Franco has frequently invoked the important role which Spain will now play in Western defense as a result of the U.S. Agreements, he has accorded no recognition to the fact that NATO is the primary instrument of this defense nor demonstrated any interest in progressing from this bilateralism to an acceptance of the multilateral defense concept inherent in NATO or the EDC. Questioned some months ago, for example, about the prospect of closer Spanish military and economic cooperation with France and Great Britain, * Franco declared that Spain's effective assistance to the West ["]is fully assured through the United States without forcing our people cold into relationships of intimacy . . .[5] repugnant to the existing state of opinion". The past eight months since this statement was made have indeed witnessed a marked intensification of the Spanish attitude of antagonism and hostility toward Great Britain (over Gibraltar) and France (over Morocco) and a corresponding deterioration in relations with these two countries. A corollary of this policy, however, has been a greatly increased emphasis on Spain's overseas relations with Hispanic America and with the Arab World. Although it is believed that the real reason for Spain's failure to demonstrate a greater readiness to participate effectively on cooperative Western European defense measures is her sincere lack of interest in doing so, the regime often publicly states that Spain sees no reason to force herself upon a community (Western Europe) whose members have in the past and continue in the present to demonstrate acute repugnance at the idea of close association with Franco Spain.

(g) *Status of Annexes to Base Agreement Which Remain to be Negotiated:*

With the signing of the Defense Agreements between Spain and the United States in September 1953, a cycle of further negotiation at service-to-service level has been initiated to cover points left uncovered in basic Agreements. It has been agreed between the Spanish High General Staff and JUSMG that agreements of this nature will be entitled "Procedural Agreements" and will follow in chronological sequence behind the Technical Schedules which are a part

* Special UP interview of November 4, 1953. [Footnote in the source text.]

[5] Ellipsis in the source text.

of the Agreements signed in September 1953. Four Procedural Agreements have been signed to date and copies have been furnished to your office. † Additional Procedural Agreements which are being actively negotiated are listed below:

1. U.S. Naval ships visits
2. Identification cards for the use of U.S. personnel in Spain
3. Automobile licenses
4. Personal property customs procedures
5. Tax relief and reimbursement
6. Operation of military aircraft
7. Storage of USN POL
8. Storage of USN ammunition
9. Use of East Rota naval facility

Others are in process of preparation by the JUSMG staff.

(h) *Special Agreements Not Mentioned Above:*

1. *Facilities Assistance Program*

The Embassy concluded on May 19 negotiation of a document entitled "Proposed Bilateral Arrangements for Facilities Assistance Program". [6] The successful negotiation of this bilateral agreement permits Spain to receive equipment and machinery valued at $3,624,000. Spain for its part undertakes in separate special technical contracts to supply all required land, buildings, services, labor, mortar, bricks, etc., in a cooperative program which will augment the productive capacity of government-owned plants producing explosives and propellants in Murcia and Valladolid.

2. *Offshore Procurement*

On May 10 negotiations were initiated with the Spanish Foreign Office of a "Memorandum of Understanding" and a "Standard Clauses—Negotiated Contract for Offshore Procurement". [7] While Spain has in the past year been given opportunities to bid on a total of nearly $250 million dollars in offshore procurement contracts, there has been no formalized government-to-government understanding of the terms and conditions underlying such procurement. Spain has actually been awarded several contracts principally in the field of ordnance and is being considered for still additional awards at the present writing. Clauses are contained in these contracts however which will render them null and void unless the bilateral arrangements have been concluded by August 1, 1954. Re-

† Attached as enclosures to this despatch. [Footnote in the source text. See footnote 2 for a list of these documents.]

[6] The text of the Facilities Assistance Agreement, which entered into force on May 19, 1954, is in 5 UST (pt. 3) 2377.

[7] The text of the Offshore Procurement Program, signed July 30, 1954, is in 5 UST (pt. 3) 2328.

action of the Spanish Government to the proposals has not yet been made known.

3. *Aid to the Munitions Industry in Spain*

Surveys of Spanish munitions plants, both public and private, point toward the urgent need for modernization of some of these plants to provide a more fully rounded ordnance base of production. Aid for a modernization program in 1955 will be requested for about $5,000,000.

The above report follows essentially the outline and topic form suggested in referenced airgram. Special reports are contemplated on some of the individual headings referred to only briefly in the report. These will be produced as rapidly as manpower and secretarial assistance can permit.

For the Chargé d'Affaires, a.i.:
CARROLL M. TERRY

No. 921

Editorial Note

On September 3, President Eisenhower signed into law the Mutual Security Appropriations Act of 1955, Public Law 83-778 (68 Stat. 1219). Included in it as Section 109 was the McCarran Amendment, which provided that $55 million be made available to Spain to finance the purchase with pesetas of surplus agricultural commodities in fiscal year 1955. The amendment further stipulated that 80 percent of the pesetas generated through these purchases "be used to strengthen and improve the civilian economy of Spain," thus providing an additional source of aid, beyond that agreed upon at the time of the signing of the September 1953 agreements, for the Spanish economy.

No. 922

752.5 MSP/10-1354: Telegram

The Ambassador in Spain (Dunn) to the Department of State

SECRET MADRID, October 13, 1954—8 p. m.

232. Cotel. In view joint FOA-State message A-88, [1] we must again recommend (Embtel 213 [2]) most strongly that decision be taken urgently to (1) grant full $30 million economic aid to Spain; (2) make available local currency proceeds from sale of 80 percent of $55 million surplus commodities under McCarran amendment for bolstering Spanish economy in form grant rather than loan; (3) authorize FOA Madrid to negotiate exchange rate, preferably within range 35–42 one-half pesetas to dollar for surplus commodities sales.

Impossible approach Spanish prior decision first two points because amount and form of aid bear on every subject to be discussed. Meanwhile we are losing momentum and initiative with inter-ministerial commission as evidenced by Spanish Embassy's recent direct approach to FOA/Washington re cotton and vegetable oil requirements. We are firmly convinced full economic aid mentioned (1) and (2) above necessary if Spanish economy is to withstand the effect of and bear its share of cost for participation in our joint military program. This reported further detail in Williams Tousfo A-204 October 8. [3] General Kissner sending separate message to Defense concurring this message, in message J-466 October 11 [3] to executive agent he has already pointed out adverse effect on military program should Spanish not receive full amount dollar aid expected as well as aid under McCarran amendment.

Quite aside from foregoing, we must emphasize crucial nature of psychological impact upon Spain of any action by US Government now to water down or deprive her of benefits awarded by Congress. Spanish fully conversant with long history of US Government opposing or holding back or delaying aid to Spain legislated by Congress pending completion of agreement satisfactory to US. Previous Spanish dissatisfaction and suspicion re this policy has now been dissipated by full cooperation they have been getting in carrying

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[1] Not found in Department of State files.

[2] Dated Oct. 4, telegram 213 revealed that communications from Washington to Madrid had imparted the view that the $55 million alloted Spain by the provisions of the McCarran Amendment included the $30 million earlier sought for economic aid for fiscal year 1955 under the terms of the September 1953 agreements. The Spanish, on the other hand, had viewed the $55 million as an addition to the $30 million. (752.5 MSP/10-454)

[3] Not found in Department of State files.

out agreements signed last year. There has from General Franco and his Cabinet down the line been rapid development of confidence and trust on Spanish side absolutely necessary if we are to have their cooperation needed for our military program. It would come to this individualistic group as a blow now were US Government to alter or fail to carry through on our own figure of thirty million based on the one hundred fifteen million originally committed at the time of the agreements, plus the Congressional amendment which certainly does not carry in it any implication that it is a loan.

After all principal purpose in our being here relates to the strengthening of western defense by building facilities in this vital area. These facilities will not be of their maximum value unless we have the enthusiastic and sincere cooperation of the Spaniards. That cooperation will be lost if we now begin to change the terms on which we are morally engaged to carry out our side of the agreements of a year ago.

DUNN

No. 923

033.1100/ST/11-154

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Secretary of State [1]

TOP SECRET WASHINGTON, November 1, 1954.

Subject: Spain Trip—October 27-29, 1954

I. From my conferences with officials of the Government of Spain, which have been reported in Embassy cables from Madrid and from my talks with the United States country team in Madrid, I have the following impressions:

a. The Government of Spain and the business leadership of Spain are proud of their partnership relations with the U.S. and will extend themselves to make it successful. They believe it will be very much in their interest to do so.

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[1] This memorandum was also addressed to the Secretary of Defense, the Special Assistant to the President for National Security Affairs, and the Chairman and the Executive Officer of the Operations Coordinating Board. Stassen, Riley, Urschel, and Ringer, all of the Foreign Operations Administration, visited Spain, Oct. 27-29, in the course of a trip which included visits to Yugoslavia, Oct. 24-26, and Italy, Oct. 26-27. A memorandum reporting on the visit to Italy, dated Nov. 1, which Stassen sent to the Secretary of State and other U.S. officials, is Document 789. Stassen summarized his conclusions in a separate memorandum to President Eisenhower, Nov. 1. (Eisenhower Library, Eisenhower papers, Whitman file) A memorandum of two conversations held between Stassen and Arburua in Spain is *infra*.

b. The base construction program and the expanded Spanish defense program will together have a powerful inflationary effect within 12 to 18 months.

c. General Franco and the members of his Council of Ministers do not understand the importance of NATO to the United States and are generally lacking in broad information or understanding of the world-wide situation.

II. Suggested U.S. courses of action for such consideration as may be deemed appropriate:

a. Facilitate the expansion of electric power within Spain to overcome critical shortage, and with this encourage the expansion of internal production of basic consumer goods to counter the inflationary impact.

b. Introduce sufficient consumer goods and raw materials in the U.S. aid program to meet urgent demands.

c. Periodically review Spanish internal defense plans to avoid impossible internal economic burden which would cause unmanageable inflation and would be followed by unstable situation surrounding our valuable air bases.

d. Arrange intermittent visits of U.S. officials to Spain to facilitate the understanding by General Franco and his associates of U.S. policy and the world situation.

e. Enlist through U.S. good offices the participation of Germany, U.K., Netherlands and France in long term development credits to Spain and the avoidance of excessive short term trade credits.

f. The President or the Secretary of State to make a comment at an appropriate time to the effect of the continued importance of our agreements with Spain now that the Western European accord has been worked out at Paris.

H. E. S.

No. 924

DMS files, lot W-1444, "Spain"

Memorandum of Conversations, by the Director of the Foreign Operations Administration (Stassen) [1]

CONFIDENTIAL MADRID, November 12, 1954.

Summary of Discussions Between Governor Stassen and Minister of Commerce Arburua

First Visit on October 28

During the protocolary exchange of greetings, Governor Stassen mentioned that he was responding to the visit to the United States

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[1] Transmitted as enclosure 1 of airgram Tousfo A-280 from the U.S. Operations Mission in Madrid, Nov. 12.

by the Minister; [2] that he brought warm greetings to the Minister from President Eisenhower and Secretary Dulles; that he was aware of the importance of his visit, since it was the first for a member of the Cabinet and the National Security Council; and that the visit took on added significance because of the successful outcome of the recent negotiations in Paris.

Sr. Arburua stated in the beginning that he would withhold no information from Governor Stassen bearing on Spain's economic situation since he considered it vital that all of the facts be made known. He first delineated Spain's critical foreign exchange shortage, not only with respect to the dollar area, but in the case of virtually all other currencies. He showed Governor Stassen a balance sheet with Spain's foreign exchange holdings all over the world listed. With respect to foreign exchange requirements, the Minister stressed the urgent need for additional electric power-producing equipment over the next few years. He pointed out that, after taking into account funds from fiscal '54 aid allotted for electric power, plus the maximum amount available out of Spain's free dollar and other currency holdings, its earnings from tourism, plus the credits available through the New York banks and other sources open to Spain, there would still be approximately 40–50 million dollars lacking to meet Spain's necessities in the power field. He apparently felt that the above figure, representing the gap between Spain's visible dollar availabilities for new electric power equipment, constituted the strongest argument for additional dollar aid to Spain, notwithstanding her great needs in the field of transportation, etc.

Turning to peseta requirements of the Spanish economy, the Minister said that there were overwhelming demands being placed on the Treasury from all directions. For example, the various defense ministries are calling for pesetas greatly in excess of their appropriated funds in order to acquire land needed for the U.S. air and naval bases, as well as to service the new equipment which is being brought in. He said that one entire Cabinet meeting had been devoted to discussion of the division of the pesetas under the counterpart and McCarran Amendment proceeds, without any final decision having been reached. However, the Minister stated that the priority would probably be given to four large irrigation and reclamation projects, two in Western Spain near Cáceres, one near Sevilla on the Guadalquivir, and one in Aragón where there is very rich soil if water can be made available.

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[2] Regarding the visit of Arburua in the spring of 1954, see footnote 2, Document 913, and Documents 915 and 916.

In the discussion about Spain's peseta needs, the Minister also went into some detail to explain the country's multiple exchange system, pointing out that the National Foreign Exchange Institute made dollars and other foreign currencies available to the Spanish diplomatic corps and certain industries like the fishing industry for the acquisition of coal and the petroleum monopoly for Spain's petroleum requirements, to cite only a few examples, at a great loss in order to keep the cost of living down for the people and, in the case of the diplomatic corps, to enable the Ministry of Foreign Affairs to subsist on its meager appropriations. These subsidies, he said, were possible because of the high peseta prices charged the textile manufacturers for cotton imports and for certain other classes of imports where the users could afford to pay a premium, and for luxury imports such as automobiles. He seemed to take pride in the fact that the National Foreign Exchange Institute had been able to maintain a precarious balance without drawing on the Treasury for its support.

Governor Stassen's first substantive statement was as follows: the United States has serious world-wide problems with which to contend and situations sometimes change very quickly, thus requiring great flexibility with respect to funds; the Congress has directed that greater emphasis should be placed on loans rather than grants; the needs of other countries must be consolidated with those of the United States which, unless it remains strong, cannot continue with its efforts to assist its free neighbors; within the United States, economic changes occur which require adjustment and study. The Governor then directed his remarks specifically to the United States-Spanish relationship: we should see where our problems coincide and how they can be met; with Spain there is a continuing partnership and it is evident that some need will be required for fiscal '56; the McCarran Amendment had the concurrence of FOA and the President in recognition of the fact that $30 million was not sufficient for Spain in fiscal '55; the McCarran Amendment added no new funds to the appropriation and, indeed, the Senate reduced the recommended total amounts later; the Congress directed that a substantial part of the fiscal '55 aid be on a loan basis; the Treasury has approved liberal terms for the loans over a 40-year period with no payment until the third year and interest set at 4% where repayment is made in local currency; once repayments have commenced, it is at the discretion of the United States that some of the funds again be made available for mutually agreed-on purposes by agreement; the United States has a serious coal problem due to the dieselization of railroads and other factors; the United States is aware of the terms of the letter of September 24, 1953 and believes that it is preparing to move beyond the terms

therein expressed in this, the second year following the agreements.

Governor Stassen then inquired directly of the Minister whether, in the United States' effort to consider the Spanish problem, Spain could take a portion of the fiscal '55 aid in the form of a loan; could Spain take some coal this year; could Spain take whatever aid is available and deemed necessary for fiscal '56 in the form of a loan rather than a grant. Treating the above questions as exploratory, the Governor went on to more specific matters, some of which were in reply to Minister Arburua's remarks—the United States would favor irrigation projects if they were sound and well-engineered; we would hope to help Spain to minimize the sharp fluctuations in its economy from year to year, and would consider this all the more important in view of the danger from inflation as a result of heavy military spending; respecting Spain's commercial dealings with other countries, she should seek as long term credits as possible for the purchase of capital goods since United States aid is not as advantageous as intended if other countries begin to demand quicker payment as our aid program takes effect; we sometimes speak to third countries concerning this matter and have at times been successful in obtaining easier terms for the recipients of their credit, reminding them as to what our assistance has contributed to their economy in the past and that our long-term objective is general economic improvement of the free nations, to which they can make a concrete contribution in this way [Minister Arburua turned to one of his colleagues to say that this point was "very important"].[3]

Governor Stassen commented that he was aware of Spain's urgent need for cotton and that shipments could begin almost immediately even though other program details had not been settled. He took special note of the Minister's comments respecting Spain's peseta problems and expressed the hope that the United States could help meet these problems in spite of the tighter rules imposed by the Congress. He underlined the importance of trying to control military expenditures and avoid the dangers of inflation which, if it should occur, would weaken our joint military effort. In closing this session, the Governor expressed his appreciation for the Minister's frank revelation of Spain's fiscal and economic problems, and complimented him on the manner in which he had set out to solve them and on the planning in connection with the utilization of the Aid Program. He commented that he was especially pleased at Spain's alertness to the value of tourism as a source of additional foreign exchange, and hoped that United States travelers would come to Spain in even greater numbers in the next few

[3] Brackets in the source text.

years as a result of the continued U.S. prosperity following the successful readjustment period through which the country has just passed.

Second Visit on October 29

The Minister commenced the session by pointing out that both Germany and France were trying to put the "squeeze" on Spain through such measures as (1) insisting on short-term credit and (2) charging interest on the "swing" debit above and beyond the interest paid by the Spanish buyers to the German suppliers of machinery. With respect to France, he said that Spain normally purchases fertilizer from French North Africa and that she now needed one million tons, but that France was demanding dollar payments. He denounced these tactics and said that Spain would buy phosphates from the United States, using her limited dollars there, rather than accede to the French demands.

The Minister next turned to Governor Stassen's remarks of the previous day pertaining to the restrictions on aid for fiscal '55 and expressed the hope that Spain could have the full $30 million defense support aid this fiscal year, in addition to the McCarran Amendment commodities, and as much as possible in the form of a grant rather than a loan. He asserted that Spain would undertake the acquisition of some 400–500,000 tons of coal, and perhaps more, depending on developments. Responding to the Governor's question as to whether Spain could accept a program in which part of the remaining $30 million of aid could be made available in fiscal '56 instead of all of it this year, the Minister urged him to draw his own conclusions since he did not want to say "no" to the question if it could possibly be avoided.

Governor Stassen expressed appreciation for the additional information provided by the Minister, acknowledged that Spain would find it difficult to handle loans instead of grants, and then outlined certain alternatives which Spain might consider: (1) programming $20 million defense support aid for fiscal '55 and $10 million for fiscal '56; (2) making the full $30 million available in fiscal '55 with a substantial part of the McCarran Amendment funds taken as a loan; (3) using as much United States coal as possible, taking into account Spain's commitment to buy British coal, in consideration for giving the full $30 million defense support aid in fiscal '55, with the coal to be financed out of aid funds or with free dollars; (4) repaying whatever portion of the $55 million McCarran Amendment funds as might be agreed to on a loan basis with pesetas instead of dollars and with United States approval for making advances out of existing counterpart funds against Spain's local currency needs to be repaid out of the proceeds of the sales of the McCarran Amendment commodities; and (5) recognition by both parties that

the loan of a substantial portion of the McCarran Amendment funds would mean consultation between the two governments rather than "joint control", which is implicit where grants are involved.

Governor Stassen reiterated his desire to cooperate in meeting Spain's problems but recalled that a final "package" could not be proposed now since the approval of other United States agencies would have to be obtained. The prompt shipment of $10 million cotton and $3 million vegetable oils could be arranged, however, and he would so recommend to Washington. Sr. Arburua replied immediately that Spain urgently needed more than those amounts, and suggested $20 million cotton and $6 million oils. The Governor expressed the thought that these quantities could be arranged and proposed that the exchange rate be 42.50.

The Minister reacted more strongly at this point than at any other time during his meetings with Governor Stassen. He went into another long explanation of Spain's multiple exchange rates, this having been covered in the first meeting, and stated that 42.50 was the external tourist rate and had no applicability within Spain itself. He recalled the negotiations prior to the 1953 agreements when Spain had urged a rate lower than 35, stating that the average of all the rates was no higher than 33 or 34. He also mentioned the negotiations leading to the wheat purchase from the United States last year at the 42.50 rate and reminded his listeners that he had insisted that this should not be taken as a precedent. He urged that Spain be given a lower rate of exchange and said that the only reason he had acceded to the 42.50 rate last year for the wheat was that the United States had "demanded" that rate and that at that time Spain had no alternative but to accept, since she needed the wheat. The Governor replied that he would consult with the other interested parties in the United States, commenting that the Department of the Treasury was especially interested in the exchange rate.

In his concluding remarks, Governor Stassen told the Minister that he would send a cable immediately recommending that $20 million of cotton and $6 million of vegetable oils be authorized for Spanish purchase under the McCarran Amendment funds, and that $20 million of the remaining $30 million of defense support aid be made available as soon as possible for Spain. He stated that the United States would carefully examine its position on the total amount of aid for Spain; what part would be a long-term loan and what part grant; what position it could take on the exchange rate, bearing in mind Spain's problem in this respect; what would be a reasonable solution to the coal problem; and that he felt that, in all of these matters, a reasonable solution could be found since both

governments were approaching them on a friendly, cooperative basis.

No. 925

752.5 MSP/11–1854

Memorandum of Conversation, by the Officer in Charge of French-Iberian Affairs (West)

CONFIDENTIAL WASHINGTON, November 18, 1954.

Subject: Spanish Ambassador's Comments on U.S. Aid Program

Participants: Sr. Don Jose Maria Areilza, Spanish Ambassador
The Under Secretary
Mr. West, WE

In the course of his courtesy call on the Under Secretary, the Spanish Ambassador stated that he had been instructed to express his Government's keen disappointment concerning the terms of U.S. aid to Spain which had been expressed to the Spanish Government by Governor Stassen during his recent visit to Madrid. The Ambassador stated that it had been the Spanish understanding from the start that the so-called McCarran aid (Section 109 of the Mutual Security Appropriation Act of 1955 [1]) would be in the form of a grant rather than a loan. Now, at a rather late date, the Spanish Government had been told that a portion of the $55 million must be repaid. He stated that Spain had already imported some $10 million worth of cotton and had placed further orders for $6 million worth. Orders had also been placed for several million dollars worth of cottonseed oil. He said that he realized that it was bad business practice to order goods before the terms of the transaction had been made clear, but the need for the cotton was urgent and the Spaniards had no reason to believe that even partial eventual payment would be required. His Government felt sure that it had never been the intention of the late Senator McCarran that any part of the $55 million should be repaid. He added that his Government was also very upset at the arbitrarily unfavorable exchange rate that had been set.

The Under Secretary stated that he was not yet familiar with the question raised by the Ambassador and suggested that the substance of what the Ambassador had stated be put in writing. [2] This

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[1] For a summary of the McCarran Amendment, see Document 921.

[2] An *aide-mémoire*, not found in Department of State files, was submitted by the Spanish Ambassador in response to this suggestion on Nov. 19.

the Ambassador agreed to do. It was pointed out to the Ambassador that, whatever the late Senator McCarran's intentions might have been in proposing Section 109, that Section clearly referred to the provisions of Section 402 of the Mutual Security Act of 1954. [3] The U.S. Government was obliged on a global basis to require that some $200 million of aid must be in the form of loans. Faced with the necessity of making a Solomon's decision, it had been necessary to designate to each recipient country a certain amount of aid as being on a loan basis. Actually, the proportion of loans to grants was lower in the case of Spain than for several other countries. This was particularly noteworthy in view of the fact that many of the recipient countries were relatively less developed than Spain and less able to assume loan obligations.

[3] Mutual Security Act of 1954, P. L. 83-665 (68 Stat. 832), Aug. 26, 1954. Section 402 authorized the use of $350 million for financing the purchase by foreign countries of surplus agricultural commodities.

VATICAN

THE QUESTION OF THE POSSIBLE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE HOLY SEE [1]

No. 926

Editorial Note

On January 13, 1952, the White House announced that President Truman was withdrawing the nomination of General Mark W. Clark as Ambassador to the State of Vatican City in accordance with the General's request.

There is little published information regarding the withdrawal of Clark's nomination. Clark alludes to it briefly in his memoirs, *From the Danube to the Yalu*, page 29. However, in an interview in March 1976, Clark recalled that on the day of the White House announcement concerning the withdrawal of his nomination, he received a telephone call from Drew Pearson, who said he would report on his radio show that evening the substance of the discussion in late October at the White House when Clark had expressed to the President his reluctance to accept the Vatican position. Clark declined Pearson's request for comment, but he called the President and informed him of the impending broadcast. Shortly thereafter, according to Clark, the White House issued the announcement regarding the withdrawal of his nomination. (Memorandum of a conversation between General Clark and John Bernbaum and Ronald Landa, March 13, 1976, 611.65A/10-2051)

Documentation concerning Clark's appointment is presented in *Foreign Relations*, 1951, volume IV, Part 1, pages 1002 ff. Letters regarding the issue of the appointment of an Ambassador to the Vatican which the Department of State received from the public are in file 124.65 A.

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[1] For previous documentation on this subject, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 1000 ff.

No. 927

Truman Library, Myron C. Taylor papers

President Truman to Pope Pius XII [1]

WASHINGTON, May 14, 1952.

YOUR HOLINESS: As a matter of courtesy and with highest esteem, I consider it advisable to recount my understanding of the origin, activities and termination of the Personal Representation of the previous President of the United States and of myself to Your Holiness.

This Representation began, I believe, with the suggestion made by President Roosevelt in 1939 that he "send to You my personal representative (the Honourable Myron Taylor) in order that our parallel endeavors for peace and the alleviation of suffering may be assisted". Mr. Taylor at that time was acting as the President's appointee, with the rank of Ambassador, as Chairman of the Intergovernmental Committee composed of the representatives, principally Ambassadors and Ministers, of thirty-eight nations engaged in the alleviation of the status and suffering of the Jewish people in Germany and Austria. It was President Roosevelt's desire that Mr. Taylor come to You also with the rank of Ambassador, and Your Holiness acquiesced in this suggestion.

During President Roosevelt's life, the contact through the Personal Representative with Your Holiness was already widely discussed in America. I was at that time told that Your Holiness has received large numbers of clippings from the American press indicating a growing opposition to any official representation, direct or indirect, to the Vatican. This file was given to Mr. Taylor for the President's information. Nevertheless Mr. Taylor was continued in his mission.

Upon my accession to the Presidency in April 1945, after the untimely death of President Roosevelt, I communicated with Mr.

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[1] In a letter of May 12, President Truman asked Myron C. Taylor to call on the Pope during Taylor's upcoming visit to Europe and to present personally this letter. The President noted that Taylor, as his Personal Representative with the rank of Ambassador, could at his discretion enlarge orally upon the specific features contained in the letter. Taylor arrived in Paris on May 26. Memoranda of conversations he had with Monsignor Roncalli, the Papal Nuncio in Paris, on May 29; with Monsignor Feltin, the Archbishop of Paris, on May 31; and with Premier Pinay and Defense Minister Pleven on June 1, were enclosures to Taylor's letter of June 1 to Truman. (Truman Library, Myron C. Taylor papers) Taylor left Paris for Florence on June 8. His conversations with Cardinal Della Costa and with General Matthew B. Ridgway in Florence and his audience in Rome on June 24 with the Pope are described in his letter of July 1 to President Truman, *infra*.

Taylor, requesting him to remain in his post and continue his work under existing instructions.

The rising tide of opposition to Mr. Taylor's mission, commencing after VE Day in 1945 and culminating in 1949, had become quite serious—unfair to me, to Your Holiness and to Mr. Taylor—so that in late October 1949, after conferring with me, Mr. Taylor proposed his retirement from the Office of Personal Representative. He suggested as an alternative plan the naming of a Minister to the Vatican as was the accepted practice of many other countries.

Mr. Taylor's own desire for retirement was not due to any slackening of interest on his part in his duties but on account of the reasons I have mentioned, as well as for other personal reasons which I believe he made known to you at that time. Following his discussions with me, he conferred with you on this subject in December 1949.

Upon his return to the United States early in January 1950, he submitted his resignation. It was then my intention to propose to the Senate after my report upon the state of the Nation, the nomination of a Minister to the Vatican. I was deterred from this initially and from time to time thereafter by certain legislation which made an issue of the allocation of Government funds to parochial schools, and transportation and lunch facilities for Catholic children throughout the United States. My legislative advisers in Congress, including those of Catholic affiliation, counseled strongly against the nomination at that time of a Minister to the Vatican. In the meantime the opposition of the Protestant churches had grown in intensity to a widespread extent.

Latterly, having in mind my assurances to You, when General Mark Clark was highly recommended to me as Ambassador to the State of the Vatican, I nominated him to the Senate for that post on October 20, 1951. I felt that he would be very acceptable because he had spent much time in Italy as the General in command of the Fifth Army, and would be well received both at the Vatican and with the public.

A perfect furore of opposition arose in this country which in the end induced General Clark on January 13, 1952 to withdraw his name. I had not suggested or proposed that he take that step as I was fully prepared to meet the issue presented.

The Chairman of the Committee on Foreign Relations of the United States Senate was violently opposed to the nomination and indicated that it would not be brought before the Committee but would be indefinitely postponed. Many other reports came to me of the attitude of the Committee which indicated doubt as to the accomplishment of my objectives. I was told that this issue under such circumstances would create a deep cleavage in our population,

and that it would engender bitterness and strife between Christian faiths to the detriment of all.

Recently, with my approval, an item in the appropriations bill of the State Department included the sum of $70,000 to provide for an Embassy to the Vatican and an office and staff in Rome. When the State Department appropriation bill came in due course before the House of Representatives for debate and action, this item was made the subject of an amendment and defeated. Such is the present situation. [2]

You are already aware, I presume, of my own declaration in respect to a further term of office. Under these several circumstances I feel, to my deep regret, that it would be unwise for me to pursue my intention with respect to the naming of a Minister or Ambassador to the Vatican. No one can foretell the results of the elections in November of this year. I am advised by some of the higher representatives of the Roman Catholic Church in America that it would be most inadvisable to precipitate this as an issue on the eve of a national election.

I have concluded that it would be imprudent to begin and possibly fail in this undertaking, but that the question should be presented to the incoming administration, leaving it as much as may be without prejudice from any action of mine.

Ambassador Myron Taylor will shortly visit You and bring this matter to Your attention. He will present this letter and will confer with You on those current affairs in which You and I in our desire to maintain peace are so deeply interested.

I cannot bring this letter to a close without a word of tribute to Mr. Taylor's extraordinary services. Throughout his long tenure as Personal Representative to Your Holiness he has constantly been beset with problems that would have thwarted a man of less steadfast purpose.

The mission aroused an opposition from sources which few could have foreseen. Happily, Mr. Taylor is an eminent citizen and an outstanding Christian gentleman who carried himself with great dignity as he traveled throughout Europe to promote peace and good will among the nations. He has at all times had my complete confidence and I like to think that Your Holiness had found in him a valued friend and wise observer of world trends.

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[2] The purpose of the House provision was to prevent the President from making a recess appointment to the Vatican post by prohibiting the use of Department of State funds to support a new diplomatic mission to the Vatican until the Senate had confirmed whomever the President might appoint to that post. The Senate decided in June 1952 to drop this provision, because it felt that it was improper to inject religious issues into an appropriations bill.

I have thus given at length the history of the vital aspects of this matter in order that Your Holiness will clearly understand my continuing regard for You, my respect for Your exalted office, and my personal esteem.

Faithfully yours,

HARRY S. TRUMAN

No. 928

Truman Library, Myron C. Taylor papers

Myron C. Taylor to the President

LONDON, July 1, 1952.

DEAR MR. PRESIDENT: While in Florence I took occasion, as is my custom to call upon Cardinal Della Costa who evinced satisfaction in the progress that is shown in the local elections [1] which resulted in many candidates being selected who are not adherents of the cause of Communism. This, however, did not change his opinion regarding the strength of the party as a whole within Italy which will have its real test in two years' time when the national election recurs. At the present time the readjustment of the Communist party and the Socialist party brought about the recent results as I before stated. What the future may be with respect to the Socialist party in throwing its strength to one or another of the principal groups remains to be determined.

During the fortnight that we spent in Florence, the annual closing exercises of the Institute Pius XII were celebrated before carefully selected artistic and educational groups, with a small number of leading citizens of Florence. The activities at Schifanoia have proven so outstanding in character that it is generally accepted as one of the foremost agencies of its kind in Europe. The students showed marked improvement in their particular fields and elicited much praise from all those familiar with their work. The opinion is generally expressed that barring a recurrence of war, which would dislocate all matters in the European theatre, the Institute, under the competent and faithful direction of the Sisters of Dominican Order coming through their Mother House in Sinsinawa, Wisconsin, will achieve new heights of successful operation and give satisfaction to all who are associated therewith. I am attaching herewith a copy of a letter which I addressed to His Holiness Pope Pius

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[1] For information regarding the local elections held in Italy on May 25, see Document 726.

XII while these ceremonies were proceeding, and a copy of His reply thereto expressing His commendation. [2]

Before my arrival in Rome on Sunday, June 22, I had addressed a letter [3] to His Holiness preliminary to my expected audience and transmitted to Him a proposed text of the book on the correspondence of yourself and His Holiness from the death of President Roosevelt to the time of my retirement as Personal Representative. You will recall last winter we had suggested this by telegram, both to Him and to the Archbishop of Canterbury, intending to include in the proposed book the various letters and correspondence to and with them in relation to religious cooperation of the churches in the interest of peace, and to which each replied in the negative regarding publication on the ground that such communication on that subject was strictly confidential in character and was not to be made public. This did not deter me from proposing, as is shown by the attached letter to His Holiness, the question in regard to the publication of the letters between His Holiness and yourself.

I received notice of a proposed audience on the Wednesday [4] following my arrival, and presented myself at 9:05 a. m. and was received immediately after and remained in conversation with His Holiness until 9:50 a. m. I received a warm and friendly greeting, and the basis of our conversation was a resumption of the most friendly and cordial character. Contrary to all reports in the daily press, I found His Holiness in excellent health, very alert and most willing to discuss and to work with you, particularly in regard to peace, as had been indicated in your letter [5] which I promptly presented. He proposed to reply to your letter and to send it to me in London before the middle of July. [6]

After the conclusion of the usual formalities, in which He inquired regarding your health and attitude in respect to the campaign and referred to the fact that He received your daughter in audience and was greatly pleased therewith, He sought information regarding the nominations by the principal parties in America, to which I could fairly contribute nothing of a definite character. We reviewed the position in Italian affairs, discussed Prime Minister de Gasperi as a leader, in which the statement was made that he is a very adroit political leader, but I entertained some

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[2] Neither Taylor's letter of June 13 nor Monsignor Montini's reply on behalf of the Pope, dated June 26, is printed.

[3] Not printed; a copy of the letter, dated June 13, is in the Myron C. Taylor papers at the Truman Library.

[4] June 25. However, a chronology of Taylor's activities during 1952, which is located in the Myron C. Taylor papers at the Truman Library, indicates that Taylor met with the Pope on June 26.

[5] The text of this letter, dated May 14, is *supra*.

[6] The text of the Pope's reply, dated July 10, is *infra*.

doubt as a result of our conversation in respect to matters economic and perhaps a broad statesmanlike grasp in the fact of present day world affairs. He, as last year, voiced the strength of the Communist party in Italy and once more was of the impression that the party as such had not lost strength, that it still claimed the loyalty of about one third of the population and was slightly increasing its numbers rather than decreasing.

His Holiness' principal pre-occupation seemed to be with the affairs of the world in general and what was considered in America to be the ultimate outcome of this present most vital situation. I did not present to Him anything that might be considered your views but I indicated that in my own opinion the time was coming, and I believed it would shortly come, when the distemper of the world would so react upon the people and upon their welfare that force would need to be applied, as in the case of Hitler, to compel Stalin and his cohorts to cease their machinations that were upsetting and destroying the world's economy to no one's benefit. I reviewed the burden of armaments and their effect upon the debt of nations and the hardship of the people who bear the burdens which must in due course be lightened. In our own case I indicated to His Holiness the bonded debt of the Government as compared with what it was in peace times, the other national debt not covered by bonds, the state and municipal debts which have grown by leaps and bounds, and though the rate of service upon these, measured in interest, is relatively low by comparison to peacetime, another war would impose new hardship upon the nations, but that similarly the so-called cold war which we are prosecuting will in course of time amount to similar debt proportions. In due course the people would resent this growing burden and action might well be prophesied. His Holiness asked me to provide Him with a statement of these financial matters which I said I would do. My recollection is that a statement of that character was produced by the National Industrial Conference Board some time during the past year and I have wired my office in New York to secure copies of it. It would be helpful to me if I might have similar figures along this line from your authoritative State Department. [7]

To all of this the Pope replied that He still hoped for peace and prayed for peace, for a dislocation of everything in the world, including the established churches, would feel its effects particularly if the Russians were successful in driving into western Europe. I naturally envisage how it would affect the Vatican, having in mind

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[7] Taylor transmitted to the Vatican a brochure on taxes prepared by the National Industrial Conference Board as an enclosure to a letter of July 5 to the Pope, a copy of which is in the Myron C. Taylor papers at the Truman library.

the Communist attitude toward the Church as reported in the satellite countries, with which you are familiar. His Holiness welcomes information upon all these points, and I assured Him of your cooperative spirit and that you also shared the belief that through hope and prayer a peaceful outcome could be attained.

While at Florence General Ridgway [8] called upon us at the Villa Schifanoia, was introduced to the Dominican Sisters and the Students, in all some twenty-nine souls. Incidentally, I have known General Ridgway for some time and his courtesy call during the brief time he spent in Italy was an act of great friendship. His Holiness questioned me regarding General Ridgway, to which I was able to respond in respect to his Christian character, his common sense and his ability as a soldier, as I have been acquainted with his career and his bravery in the last war.

We discussed briefly the episode regarding General Mark Clark, the withdrawal of his name at his own instance, and his promotion to the Command of the Korean front. [9] He, too, was the leader of the 5th Army in Italy and elsewhere and I visited him many times at the front during the occupation there. His constant complaint to me in those days was that the British did not want to fight, and he was chafing under the compulsory inaction of his army as it stood before Pisa and after the taking of Florence. I recall at that time that General Alexander issued a statement that there would be no winter fighting, which bogged down the whole front after Jumbo Wilson had been succeeded by General Alexander.

Of course, I did not recount all these incidental matters to His Holiness but I gave the impression that we were now set up to deal a blow if it were necessary against the Communists on any front where they displayed aggression.

In taking my departure His Holiness wished to be remembered most kindly to you, to Mrs. Truman and Miss Margaret Truman and to assure you that you had His blessing and would always be the subject of His prayers. Indicative of His friendly attitude, He embraced me twice before I left, following the usual French and Italian custom of saying adieu.

I thereupon visited Monsignor Montini and had a brief discussion with him and then called upon Monsignor Tardini, both of whom represent the Department of State at the Vatican, and had an extended conversation with him. In substance our discussion did not vary greatly from that indulged in with His Holiness, at the con-

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[8] Gen. Matthew B. Ridgway, who succeeded Gen. Dwight D. Eisenhower as Supreme Allied Commander, Europe, on May 30, visited Italy June 16–19.

[9] General Clark succeeded General Ridgway as head of the United Nations Command in Korea in May 1952.

clusion of which I asked Monsignor Tardini if he would prepare a letter indicating the attitude that he expressed, as did His Holiness, that matters of world danger could be resolved without the use of force. This he agreed to do and to send me such a statement before the middle of July at London. [10] This should be interesting.

We left Rome on Saturday, [11] arriving in London on Saturday evening thanks to the comfortable transportation facilities which were provided us. I have thought since being over here that it might be useful to talk confidentially with Dr. Dibelius from Germany and to endeavor to elicit from him what the reaction of the eastern Germans would be in the case of an attack on western Germany. I have heard many times from those who are in this theatre that they would not assist the Communists in any way whatever, so great and constant was their loyalty to the fatherland. I am considering sending him a confidential letter asking if he could come to London or to Paris to have such a conversation. [12] You will recall that I had a similar conversation with him last year when he came from Greece to London enroute to Berlin.

I shall be happy to report further as occasion arises.

Faithfully yours,

MYRON C. TAYLOR

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[10] No copy of such a statement has been found in the Myron C. Taylor papers at the Truman Library. However, in these papers there is a copy of a memorandum from the Vatican, dated July 15, briefly describing the Communist situation in Italy, noting the reasons for the slight increase in strength of the Communist Party in recent elections, and concluding that "whatever support is given to initiatives tending to bring about an effective improvement in the social-economic conditions of the Nation cannot be other than of great utility, as, likewise every encouragement given to the Government that it may defend Democracy with vigor."

[11] June 28. In London Taylor tried to arrange a meeting with the Archbishop of Canterbury but was unable to do so owing to the Archbishop's absence from the city. Taylor returned to New York on July 13.

[12] A copy of a letter from Taylor to Dr. Dibelius, Aug. 1, is in the Myron C. Taylor papers at the Truman Library.

No. 929

Truman Library, Myron C. Taylor papers

Pope Pius XII to President Truman [1]

THE VATICAN, July 10, 1952.

YOUR EXCELLENCY: We wish to express Our satisfaction at the gracious letter of May 14th, 1952, [2] which Your Excellency, with

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[1] The source text was an enclosure to a letter of transmittal, dated July 15, from Monsignor Tardini to Taylor. (Truman Library, Myron C. Taylor papers) Taylor pre-

Continued

kind thoughtfulness, chose to address to Us and to consign to Us through the hands of the Honourable Myron C. Taylor.

In the said communication, Your Excellency reviewed in its most salient points, the origin, activities and termination of the relations which have existed between Us and the President of the United States of America.

As soon as you succeeded to the lamented President Roosevelt in the government of the Nation, Your Excellency entrusted to Mr. Taylor the charge of continuing that Mission which had been happily inaugurated six years previously, for the purpose chiefly of promoting peace among peoples and of alleviating the sufferings of the victims of the war.

We are grateful for that decision and for the messages of Your Excellency as likewise for the contacts had with the Honourable Myron C. Taylor.

Your Excellency's letter refers to the "furore" of opposition to the relations between the Holy See and the United States of America, especially when Your Excellency manifested the intention of giving an official and permanent character to these same relations.

If opposition of such a nature cannot but be deplored, nevertheless it is difficult to believe that it represents the feelings of the majority of the American people, whose open-mindedness is disposed to much broader and more serene views.

It is scarcely necessary to point out once again that the relations of States with the Holy See are directed to the concord and happiness of peoples.

Such relations do not prejudice the liberty and the independence of the Church and of the State; rather they favour that reciprocal

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sented the letter to President Truman during a visit to the White House on Aug. 13. In a letter to Taylor of Aug. 14, Truman indicated that he favored the publication of another volume on U.S. correspondence and association with the Vatican. Truman also stated his belief that Pope Pius XII was "one of the greatest statesmen who has been in the Vatican during the past two hundred years" and that he was "really making a contribution to the peace of the world." (Truman Library, Myron C. Taylor papers)

Another copy of this letter was attached to a memorandum from President Truman's Secretary, Matthew J. Connelly, to Dean Acheson, dated Aug. 18, in which Connelly asked, on behalf of the President, whether a reply was needed. He also requested that an appropriate draft be submitted if it was decided that a reply was needed. (711.11 TR/8–1852) Replying to Connelly in a memorandum of Aug. 21, Bruce said that, although the letter from the Pope did not require a reply since it did not invite one, he felt that the President, as a matter of courtesy, should acknowledge its receipt without addressing himself to any points of substance. Bruce also attached to the memorandum a very brief draft letter of reply along these lines. (711.11 TR/8–1852) No record was found in Department of State files or at the Truman Library that the President sent a letter of reply.

[2] Document 927.

respect and that mutual collaboration which are a source of peace, of prosperity and of well-being for all.

Therefore, there is not, nor can there be any plausible reason which militates against normal relations of Nations with the Holy See.

In fact, such relations have been entered into even by countries in which the principle of the "separation of Church and State" is maintained.

In this regard it may be recalled that in December 1941, following upon a suggestion of Mr. Harold H. Tittmann that his status be regularized by being invested with a diplomatic character appearing as such, the State Department at Washington communicated to the Holy See that Mr. Tittmann had been named by President Roosevelt as the Chargé d'Affaires of the United States of America. With the above qualification Mr. Tittmann continued to represent the United States of America for some years during the period which preceded the cessation of hostilities.

Nor are there lacking Nations which, though not having a Catholic majority nor even calling themselves Christian, nevertheless have a permanent diplomatic representation to the Holy See.

As Your Excellency is aware, the Holy See, following its traditional practice, has abstained and abstains from using any pressure for the establishment of diplomatic relations with the United States of America, leaving it to the competent organs to pursue their deliberations in perfect freedom.

We are gratified to have this opportunity of conveying once again the expression of Our appreciation of the work of the Honourable Myron C. Taylor and of the merits which he earned in the accomplishment of his Mission.

Invoking divine favours on Your Excellency's person and work and on your great and noble country, We renew to you the sentiments of Our highest esteem and consideration.

PIUS PP XII

No. 930

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Pope Pius XII [1]

[WASHINGTON,] May 18, 1954.

YOUR HOLINESS: I am taking advantage of the visit of Mr. Myron Taylor to convey to you my profound best wishes. It is also my

[1] A handwritten notation in the margin of the source text reads, "Original sent to Taylor c/o Claridge Hotel London. Copy to his office at 71 Broadway N.Y." The

Continued

great pleasure to congratulate you on the fifteenth anniversary of your ascendancy to the Papal Office. Your accomplishments as a great leader of the world's moral forces constitute a vital contribution toward our common goals of peace and the survival of those moral values which we both cherish.

It was with great pleasure that I learned of your recovery from your recent illness. It is my hope that you will be able to continue your contribution toward world peace for many years to come.

Sincerely,

D D E

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source text is identical to a draft of May 17 prepared in Department of State and transmitted to the White House as an attachment to a memorandum of May 17 from Murphy to Shanley. (765A.00/5-1754) There is no indication on the source text or in Department of State files as to when Taylor delivered the letter.

No. 931

124.65A/7-854

Pope Pius XII to President Eisenhower [1]

THE VATICAN, June 19, 1954.

YOUR EXCELLENCY: It was with pleasure that We received the letter which, in date of May 18th, [2] You directed to Us through the personal good offices of the Honorable Myron Taylor.

The delicate references that You have made to the fifteenth anniversary of Our elevation to the Supreme Pontificate and to the recent illness, with which God was pleased to visit Us, come as a manifestation of sentiments in Our regard, which We in a special way appreciate.

We would, therefore, convey to You, Mr. President, the expression of Our gratitude for Your good wishes. Such sentiments on the part of Your Excellency are all the more welcome, in that they

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[1] The source text was attached to a memorandum of July 8, not printed, from President Eisenhower to John Foster Dulles, in which the President stated that the letter from the Pope had just been forwarded to him by Myron Taylor. He also asked the Secretary of State whether he thought any reply was indicated to the paragraph beginning, "It is not so much the manner". In his reply of July 9, Dulles said that he had discussed the President's question with Smith and Murphy, both of whom he noted were Catholics, and that they had suggested that the best thing was for one of them to speak informally about the matter with the Apostolic Delegate in Washington. A handwritten notation in the margin reads, "Pres. concurs." (124.65A/7-854)

[2] *Supra*.

have served to mitigate in Our mind the unfortunate impression caused in these latter years by certain occurrences. We make mention of them in view of the opportunity offered to disclose Our mind by the very courteous letter of Your Excellency and We are, moreover, well aware that the responsibility was not Yours for the circumstances to which We allude.

It is not so much the manner We wish to mention, with which some years ago the bureau of the Personal Representative of the President of the United States was closed, without the slightest notification being given to Us, but rather principally the campaign of injurious attacks against this Apostolic See, especially at the moment when an Extraordinary and Plenipotentiary Ambassador was designated to be accredited to Us. We would have expected, on that occasion, that qualified persons would have recalled certain elements of public opinion to a due respect by noting the absolute correctness of the Holy See, from whom there was not the slightest suggestion of interference in the matter. And when, furthermore, We would have recently wished that it should have been permitted to Our Secretariat of State to be able to continue to treat with the State Department the already long-protracted question of some war damages, it was not without surprise that We learned of the refusal interposed by the same State Department to the mere acceptance of a Memorandum replying to their own formal communication. We do, however, feel assured, Mr. President, of Your comprehension and it suffices to have made this brief reference to such occurrences.

We have appreciated Your mention of the contribution of this Apostolic See to the maintenance of peace in the world. It is indeed to the high purpose of this peace, as Your Excellency well knows, that We have always directed Our aspirations; and just as We left nothing undone to avoid the outbreak of the second World War, so after the awful conflict have We made every effort to favor the creation of an effectively peaceful coexistence of peoples, founded on the basis of divine law and of moral values. To the establishment of such an international order a great part of Our activity has been dedicated and to collaboration in this effort We have repeatedly invited all Godfearing men of good will.

Your Excellency has not failed in making public declaration of Your will to labour for the attainment of peace, and in this latest letter You re-affirm Your noble intention. We formulate Our best wishes for You in this lofty undertaking, Mr. President, while We invoke upon You the guidance and comforting strength of Almighty God.

PIUS PP XII

No. 932

124.65A/7-854

Memorandum by the Deputy Under Secretary of State (Murphy) to the Secretary of State

WASHINGTON, July 15, 1954. [1]

Agreeable to the Secretary's memorandum to the President of July 9, [2] I called last evening on Apostolic Delegate Cicognani. I discussed with him the contents of the letter from Pope Pius XII to the President dated June 19. [3]

Archbishop Cicognani, as he has several times in the past, stressed the emotional sentiment which the Pope has evidenced on a number of occasions regarding the unwillingness of the United States to recognize the Vatican as a temporal state. He said that the Pope has never really quite understood our failure to maintain a diplomatic representative there, especially since about 44 nations do maintain diplomatic missions to the Vatican. He, Cicognani, has tried to describe the domestic considerations in this country which make it impossible, but the Pope reverts to the matter from time to time. He was especially exasperated with the abrupt manner in which Myron Taylor's mission was closed out without an appropriate explanation.

About the point that the State Department had even refused to accept a memorandum from the Vatican regarding the question of war damage, Archbishop Cicognani agreed that there had been no such refusal. He believes that Papal Secretary of State Montini had been confusing the war damage claims matter with another incident some time ago, on which the State Department had been unwilling to accept a direct communication on the score that we do not maintain official representation with the Vatican. Cicognani expressed himself as well satisfied with the personal arrangement under which communications are exchanged on an informal basis. In the case of the war damage, the memorandum was transmitted with an informal letter addressed to me and a reply was made in the same manner. [4]

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[1] A handwritten note, dated July 30 and attached to the source text, indicates that Murphy requested that the date of this memorandum be July 15. However, the date on the draft of the letter described in footnote 5 below, which was attached to the source text, suggests that the memorandum was written after July 15.

[2] The substance of this memorandum is described in footnote 1, *supra*.

[3] *Supra*.

[4] Documentation regarding the claim of the Vatican against the United States for damage caused to Castel Gandolfo by U.S. military forces in 1944 is in file 211.65A/41.

The Apostolic Delegate, after reflection, hoped that the President might see fit to make a polite acknowledgment of the Pope's letter of June 19, perhaps along the lines of the attached draft. [5]

Recommendation:

That you sign the attached recommendation to the President (Tab C). [6]

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[5] Not printed; this draft differed only slightly from the final form of the letter as sent to the Pope on Aug. 3, the text of which is printed *infra*. An earlier draft of the letter was attached to a memorandum of July 16, not printed, from Jones to Collins and Freund, in which Jones noted that the draft was more or less the line which Murphy had suggested should be followed. Jones asked Collins and Freund to polish it up and to draft a concluding paragraph providing an appropriate expression of "high sentiment" in response to the last paragraph of the Pope's letter. (124.65A/7-854)

[6] Not found attached to the source text.

No. 933

611.65A/8-354

President Eisenhower to Pope Pius XII [1]

WASHINGTON, August 3, 1954.

YOUR HOLINESS: It is a pleasure to acknowledge your thoughtful letter of June 19, 1954, [2] delivered through the kindness of Mr. Myron Taylor. I deeply appreciate the spirit which prompted your reply to my communication of May 18th, [3] and the candor with which you have presented your views on certain occurrences in recent years. I am encouraged to believe that we are achieving a better understanding of problems which are of mutual concern.

I feel certain, too, that Your Holiness is aware of the practical circumstances affecting the formal relationship between the two States and of my desire to cooperate as closely as these circumstances permit.

I am told that the problem of communication between the Vatican Secretariat of State and the United States Department of State has been solved on a practical basis and that the arrangement now in effect with the Apostolic Delegate in Washington is mutually satisfactory.

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[1] This letter was sent to Archbishop Cicognani as an enclosure to a letter of Aug. 10 from Murphy, in which Murphy asked the Archbishop to transmit the letter to the Pope. (611.65A/8-354) In his reply to Murphy of Aug. 12, Archbishop Cicognani said that he would forward the President's letter to the Pope without delay. (611.65A/8-1254)

[2] Document 931.

[3] Document 930.

I wish to express my gratitude for the gracious reference to my constant preoccupation with the attainment of peace. Such encouragement is a source of comfort and strength to me. At the same time I appreciate the immense contribution which Your Holiness has made to this, our common objective. Above all, it is my fervent prayer that our mutual efforts toward securing that state of peace for which mankind yearns will continue to receive Divine guidance.

Sincerely,

DWIGHT D. EISENHOWER

No. 934

124.65A/12-854

The Ambassador in Peru (Tittmann) to the Under Secretary of State (Hoover)

CONFIDENTIAL
OFFICIAL INFORMAL

LIMA, December 8, 1954.

DEAR MR. HOOVER: I wrote your predecessor, General Smith, almost a year ago now, [1] regarding the possibility that the Administration might find it desirable at some point to give consideration to the renewal of our diplomatic relations with the Vatican. I offered some suggestions to General Smith that my six years accredited to the Vatican during the war might warrant. May I pass these suggestions on to you at the present time on the off chance that the White House might find an opportune moment to press the matter? I am particularly impressed with the good effect the renewal of diplomatic relations with the Holy See would have on our Latin American friends just at this time. The suggestions follow:

It is clear that the Administration will have to proceed with the utmost caution and with the minimum of publicity, otherwise the

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[1] The letter under reference, dated Jan. 11, which contained essentially the same points Tittmann made in this letter, is not printed. (124.65A/1-1154) In his reply to Tittmann of Jan. 26, Smith stated that factors of "the most acute political sensitivity" were involved in the question of establishing diplomatic relations with the Vatican, and because of this, it was an issue only the White House could decide. Smith also expressed his own view that it was not then an opportune time to recommend that the White House reopen this question. (765A.00/1-2254) In a letter to Smith of Sept. 2, Tittmann again raised the question of establishing diplomatic relations with the Vatican. (124.65A/9-254) In his reply of Sept. 16, Smith said that there had been no concrete developments in that direction since his letter to Tittmann of Jan. 26, although the issue, he said, was "by no means dead." Smith also pointed out that he had testified before Congress that he personally favored such establishment and that he shared Tittmann's view of the importance it would have for U.S. diplomatic relations with Latin America. (124.65A/9-1654)

project is doomed to die even before it is born, because of the intense non-Catholic religious and political opposition in the United States.

Experience has shown that it is not feasible to establish an embassy with the usual trappings and to appoint a nationally known figure as ambassador. On the other hand, if we could make a more modest attempt and start out, say, with a legation instead of an embassy and a chargé d'affaires rather than an ambassador or minister, the project would attract much less public attention and would have a better chance of getting by without arousing the opposition that would kill it. Furthermore, it is probable that the appointment of a chargé d'affaires would not require confirmation by the Senate. The office of the legation could be restricted to one or two rooms and a single clerk-stenographer should be sufficient staff, in addition to the chargé, to run it.

In order to avoid the necessity of asking Congress for funds to pay the salary and allowances of a diplomatic representative as is usually done when a new mission is established abroad, the chargé d'affaires should be selected from among those who are already receiving a salary. It is understood that the modest office expenses could be covered by State Department funds without recourse to Congress for an appropriation.

Finally, it is preferable that the United States representative be a non-Catholic.

While it is generally known that the Vatican is no longer willing to accept a "Personal Representative of the President" as it did in the past, I am confident that something similar to the above-described formula for renewing diplomatic relations would be given favorable consideration by the Holy See at the present time.

If the Administration should decide to pursue the matter of the renewal of diplomatic relations up to the point where the question of the choice of an individual suitable for the job of chargé d'affaires to the Holy See arises, may I be so bold as to propose myself as a candidate? For six years I was Mr. Myron Taylor's Assistant at the Vatican and, during the two and one-half years of this period when I was interned in the Vatican City itself, I held the title of United States Chargé d'Affaires to the Holy See. If I should be fortunate enough to be chosen, I would be willing to undergo a reduction in my present rank of ambassador to that of chargé d'affaires. I would also be ready to return to my permanent Foreign Service class of Career Minister and accept the salary that goes with it, so that there would be no question of asking Congress to provide special funds for my remuneration. Furthermore, I am a Protestant, having belonged since childhood to the Episcopal

Church. Finally, I am not a headline-seeker, and I have reason to believe that I would be regarded as *persona grata* at the Vatican.

Please do not assume from the foregoing that I am not satisfied with my present post in Lima. I am. But I could not pass up an opportunity to be a pioneer in establishing our relations with the Vatican on a permanent basis which I personally feel would be in our interests.

The considerations of State bearing upon the renewal of diplomatic relations with the Holy See, I shall not dwell upon here. I am attaching two memoranda with a few thoughts on this point which you may find of interest in case you should have the time and inclination to read them. [2]

Sincerely yours,

HAROLD H. TITTMANN

[Attachment]

Memorandum Prepared by the Ambassador in Peru (Tittmann)

CONFIDENTIAL

A few considerations of State bearing upon the possible establishment of a permanent United States diplomatic mission to the Holy See—

1. The Holy See, especially in recent years, has used the weight of its spiritual and moral influence to further the cause of peace and stability. The United States today is the chief champion in the political, economic, and social field of that same cause. There is, therefore, a fundamental similarity of purpose between the Holy See and the United States, and today, when American interests are more widespread than ever before, the field for parallel action looking to the achievement of that purpose will be vastly increased.

2. The Vatican is one of the oldest and most influential organizations in the world. It directs the moral and religious lives of almost four hundred million Roman Catholics residing in the four corners of the earth; it has developed far-flung and, in peace time, highly effective channels of communication. Through these channels flow the Vatican's instructions and directives to the bishops and representatives of the Holy See throughout the world, while in the opposite direction, a vast amount of material relating to world conditions is constantly being received, assembled, and coordinated at

[2] One memorandum is printed as an attachment to the source text; the other memorandum, a two-page historical note regarding relations between the United States and the Vatican, 1848–1868, is not printed.

the Vatican. Permanent relations with the Holy See would make it possible for our Government readily to avail itself of much of this material which otherwise might not be accessible. Indirect use could also be made by us, as in the past, of the Vatican's outward channels of communication where our own channels do not exist or may be insufficient.

3. At the present time, January, 1955, some forty-odd sovereign states are maintaining permanent diplomatic representations at the Holy See: The so-called Protestant countries having representatives are: Great Britain, Finland, Holland, and Liberia. Other non-Catholic countries are China, Japan, Indonesia, Pakistan, Turkey, Egypt, and India. Almost all Latin American countries, with the exception of Mexico and Guatemala, maintain representations at the Holy See. The position of the United States is that, from 1939 to 1950, a Personal Representative of the President, with the rank of ambassador, was accredited to His Holiness the Pope, but that since 1950 we have had no formal or informal diplomatic relations with the Holy See.

Chiefs of Mission at the Vatican are often outstanding citizens of the countries they represent. Many missions maintain relatively large staffs of career officers (as many as three, four, and, in one case, eight) in addition to the Chief of Mission.

The diplomatic corps accredited to the Holy See constitutes in itself an important group of official representatives of most countries of the world and, therefore, is a source of information on current and international discussions and affairs, many of which bear on American interests.

4. In connection with the furtherance of our "good-neighbor" policy toward the Roman Catholic countries of Latin America, the presence of a permanent United States representation at the Holy See should prove helpful from the psychological point of view. The representatives of the six Latin American countries who resided in the Vatican City during the war together with the United States representative often expressed their gratification and satisfaction that the President of the United States should have decided to send his Personal Representative to the Pope. There can be little doubt that the establishment of a permanent United States mission to the Holy See would tend further to increase to our advantage this favorable impression created in Latin America.

5. It seems clear that the Catholic Church in countries occupied by United States troops can play a useful part in the re-education of large segments of the people of those countries. Extended areas where this re-education is taking place are under the control of American troops. Questions arise between the Church and the occupational authorities which call for solutions on the higher levels.

The presence of an American diplomatic representative accredited to the Holy See could serve to coordinate and facilitate the solution of such questions in a manner best calculated to promote our own interests.

6. Last, but not least, the Church is the implacable foe of atheistic communism. We have no better ally in our struggle against the communist ideology and to preserve Christianity.

No. 935

765A.00/12-3154

The Under Secretary of State (Hoover) to the Ambassador in Peru (Tittmann) [1]

CONFIDENTIAL WASHINGTON, December 31, 1954.

DEAR AMBASSADOR TITTMANN: I have given careful thought to your confidential letter of December 8 [2] in which you are kind enough to outline your views regarding diplomatic relations with the Holy See. I well appreciate, of course, the importance which this would have for many of our Latin American friends.

There is no need for me to go into the history of this matter which is so well discussed in the memorandum which you enclose.

The features which are discussed in your letter relating to whether the diplomatic mission would be an embassy or a legation and the administrative matters such as allowances are of course not decisive. I also agree that perhaps the American representative should, if one ever is approved, best be a non-Catholic.

From what I know of this situation, the possibility of the appointment of an American diplomatic representative to the Holy See, is frankly, remote. The reasons for this, as you well know, are largely of a domestic character. They continue, however, overriding.

Naturally, I shall be glad to keep this matter before me and I have especially noted your personal interest in it. Should the situation evolve, perhaps we can discuss it again.

With cordial regards and best wishes, believe me,

Sincerely yours,

HERBERT HOOVER, JR.

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[1] Drafted by Murphy and approved in substance by Jones.

[2] *Supra.*

CANADA

UNITED STATES RELATIONS WITH CANADA: [1] DISCUSSION CONCERNING THE ST. LAWRENCE SEAWAY AND POWER PROJECT, JOINT DEFENSE ARRANGEMENTS, AND TRADE RESTRICTIONS

No. 936

611.4231 SL/1-1152

The Secretary of State to the Canadian Ambassador (Wrong)

WASHINGTON, January 11, 1952.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of January 11, 1952 [2] concerning the St. Lawrence Seaway and Power Project.

My Government notes with gratification that the Canadian Parliament has passed legislation providing, on the one hand, for the construction of the power phase of the project to be undertaken by the Hydro-Electric Commission of Ontario and an appropriate agency in the United States; and on the other hand, for the establishment of the St. Lawrence Seaway Authority to construct the seaway, either in cooperation with the United States as envisaged in the 1941 Agreement, or as a solely Canadian undertaking.

As you know, the President hopes that the Congress of the United States will approve, at an early date, the 1941 Agreement providing for joint construction of the St. Lawrence Project. [3] Should the Congress, however, not approve the 1941 Agreement at an early date, the Government of the United States is prepared, in order to avoid further delay in the construction of the St. Lawrence

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[1] Continued from *Foreign Relations*, 1951, vol. II, pp. 870 ff. For documentation on cooperation between the United States and Canada on atomic energy matters, see vol. II, Part 2, pp. 845 ff. For information on U.S.-Canadian relations within the context of the North Atlantic Treaty Organization, see vol. V, Part 1, pp. 1 ff.

[2] Note No. 35, printed in Department of State *Bulletin*, Feb. 11, 1952, p. 234.

[3] For text and documentation on the agreement regarding the Great Lakes-St. Lawrence Waterway, signed at Ottawa Mar. 19, 1941, see *Foreign Relations*, 1941, vol. III, pp. 149 ff. In a message to Congress on Jan. 28, President Truman summarized the history of negotiations on this matter and urged Congress to authorize joint U.S.-Canadian completion of the seaway. The message is printed in Department of State *Bulletin*, Feb. 11, 1952, p. 232.

Project, to cooperate with the Government of Canada in referring the project to the International Joint Commission for approval on the understanding, as expressed in your note, that your Government is prepared to proceed with the construction of the Seaway as soon as appropriate arrangements can be made for the construction of the power phases of the St. Lawrence Project as well.

In order that there may be a minimum of delay in the construction of the project, which the President of the United States and the Prime Minister of Canada have agreed is of vital importance to the security and the economies of both countries, my Government is ready to cooperate with your Government in undertaking such preparatory steps as may be advisable in presenting concurrent applications to the International Joint Commission. On behalf of my Government, I accept your proposal that appropriate officials of our two countries discuss the steps to be taken in proceeding with the reference of such applications. I agree that a series of meetings to be held either in Washington or in Ottawa, or at such other place as may be convenient, would be the most appropriate method of implementing this proposal. [4] Although it is not possible for me now to propose an exact date, I expect that my Government will be prepared to begin these discussions sometime this month. I shall inform you as soon as my Government is ready to join in the discussions which you have proposed.

Accept [etc.]

DEAN ACHESON

[4] The Department of State announced in a press release on Mar. 4, that an interagency committee, headed by Jack Gorrie, Chairman of the National Security Resources Board, would leave for Ottawa on Mar. 6 to meet with a Canadian Interdepartmental Committee on the St. Lawrence Seaway and Power Project to confer on the action suggested in this exchange of notes. (Department of State *Bulletin*, Mar. 31, 1952, p. 514)

No. 937

Editorial Note

On February 29 at 3 p. m., a meeting of officers of the Canadian Embassy and the Department of State was held in Washington to discuss the possibilities of war with the Soviet Union and the use of atomic weapons. Representing Canada were Ambassador Hume Wrong and Counselors of Embassy George Ignatieff and Douglas Le Pan. Representing the Department of State were Deputy Under Secretary of State H. Freeman Matthews, Director of the Policy Planning Staff Paul Nitze, Assistant Secretary of State for Far

Eastern Affairs John Allison, Deputy Director of the Office of Intelligence and Research Charles Stelle, and Special Assistant to the Secretary of State for Atomic Energy Affairs R. Gordon Arneson.

Discussion opened with the United States views regarding the general use of atomic weapons in the event of major war. The discussion then ranged over the risks inherent in recent political and military developments involving China, Southeast Asia, Japan, Germany, Greece and Turkey, and the Middle East. In closing the meeting, Nitze asked the Canadians to let the Department know when they might wish to have another meeting, it being understood that in the event of any serious development, both countries would want to meet together immediately to consider it. A memorandum of this conversation, drafted by Arneson, is in S/AE files, lot 68 D 358.

No. 938

Secretary's Memoranda of Conversation, lot 65 D 238, "Memoranda of Conversation with the President—1952"

Memorandum of Conversation, by the Secretary of State

RESTRICTED [WASHINGTON,] April 7, 1952.

MEMORANDUM OF CONVERSATION WITH THE PRESIDENT

Item 2. *St. Lawrence Seaway*

I reported to the President that Ambassador Wrong, under instructions from his Government, had asked me to lay before the President the view of the Canadian Government, that inasmuch as there seemed to be no possibility of congressional approval of the 1941 agreement they requested the President to give the assistance which would be necessary to permit the all-Canadian project to go forward. This involved applications to the International Joint Commission and the possible naming of an agency to construct the hydro-electric power works on the United States side.

I also relayed the suggestion of Mr. Pearson, Canadian Minister of External Affairs, that it might be desirable for him to call upon the President over the next week-end when he would be in Washington.

Mr. Murphy was present during our discussion.

The President expressed the view that the Canadians had waited long enough for American congressional action; that they had been very patient and cooperative and that the Executive branch of this Government should now go through with its undertakings.

I said to the President that the Canadian Government hoped that we could authorize the beginning of action not later than the first of May. The President thought that this was reasonable.

The President said that he would be very glad to see Mr. Pearson next Monday morning and directed me to be present at the interview and set up an hour with Mr. Connelly.

The President asked Mr. Murphy to make another survey of the congressional situation. I think that we in the Department should also have a report on this.

Mr. Murphy said that he had not given sufficient study to the steps which would be necessary to go forward with the Canadian project. I told him that Mr. Fisher [1] was at work on this matter and I would ask Mr. Fisher to give Mr. Murphy the benefit of work which we had done.

Both the President and Mr. Murphy stated that if it was necessary to go forward with the project to have the New York Power Authority undertake the operation on the United States side, he was prepared to make that decision. Mr. Murphy hoped that in the proceeding before the Federal Power Commission it might be possible to have conditions imposed which would be useful in safeguarding the disposition of the American power.

The immediate action required is to get an appointment on Monday [2] morning, if necessary using my time. It might be helpful if I could have my appointment made to begin at 12:15, which would give an opportunity for St. Lawrence discussion and any other matters I might have to take up. I should then notify Ambassador Wrong.

DA

[1] Presumably Adrian S. Fisher, Legal Adviser to the Department of State.
[2] Apr. 14.

No. 939

711.56342/4-1152

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] April 11, 1952.

Subject: Joint defense arrangements with Canada in connection with USAF world-wide communications network

[1] Drafted by William L. Wright, Jr.

Background

In May 1951, the Canadian Prime Minister announced a new policy—that the Canadian Government would not grant the United States any further *leases* in Canada for defense purposes. [2] The Canadians indicated, however, that there would be no difficulty in permitting the United States to use and develop a Canadian installation if that were necessary for joint defense or for NATO purposes. This attitude reflects the sensitivity of the Canadian Government with respect to its sovereignty and its fear of adverse public reaction to the stationing of large numbers of United States troops in Canada.

The Canadian objections to the 99-year leases in Newfoundland had already been made known and Canada's reluctance to enter into further long-term agreements was understandable to us. The United States has not challenged the Canadian position of no further leases in view of the assurance that Canada would continue to cooperate in making land available as long as necessary for joint defense.

Problem

In the early part of 1951 the United States sought the Canadian Government's approval for the erection by the USAF of radio towers at Harmon Air Force Base, Newfoundland, and at Goose Bay, Labrador. It was necessary to ask the Canadian Government to make available small parcels of land for towers located away from existing base areas. The installations to be built in Canada will be an important arm of the world-wide communications network to enable the Strategic Air Command of the USAF to fulfill its obligations under the NATO plans. The Canadian Services recognize the need for the installations.

After long delays and negotiations, the Canadian Government revealed in November 1951 a policy which went far beyond the Prime Minister's previous statement. The land for the radio installations would be provided but only on condition that Canada have the *unilateral* right to terminate the agreement and to cause the United States to evacuate on twelve months' notice. [3]

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[2] The announced policy referred to here, or at least a primary application of it in U.S.-Canadian relations, was a memorandum of instructions approved by the Prime Minister and directed to the Canadian members of the Permanent Joint Board on Defense (PJBD), which stated that long-term leases should not be considered as an appropriate vehicle in U.S.-Canadian base negotiations. The memorandum is covered in a memorandum of conversation by Joseph Wolf of the Office of European Regional Affairs, May 11, 1951, printed in *Foreign Relations*, 1951, vol. II, p. 886.

[3] A letter from Deputy Secretary of Defense Foster to the Secretary of State, Mar. 6, 1952, summarized the 1951 background of this matter and referred specifically to Canadian Note No. 322 dated Nov. 9, 1951, which contained the condition referred to here. A copy of the letter is in file 711.56342/4-1152.

The sudden realization by Canadian Government officials of the magnitude of the United States defense build-up in the Far North, plus a number of minor irritations caused by the U.S. Armed Services, are believed to have contributed to an element of concern on the part of the Canadian Prime Minister, Defense Minister Claxton and Foreign Minister Pearson which led to adoption of the new restrictive policy.

Unilateral termination on twelve months' notice of joint defense projects is not acceptable to us. Such a policy would create great difficulties for military planning and requests by the Pentagon for appropriations from Congress. It could retard our efforts to build up hemisphere defense and handicap the discharge of our NATO obligations. The matter is important since such a settlement with Canada could establish a precedent for facilities to be provided by a number of other NATO countries.

During the past year, we have been disturbed by a tendency for Canada to whittle away the terms granted the United States for military projects, apparently with a view to reducing these to the lowest possible common denominator. The present Canadian proposal, we feel, might have such grave consequences by way of precedent that it should not be accepted. It is possible that the Pentagon may feel it is so vital to have the communications system installed this year that this should override the value of having our arrangements with Canada kept on a basis of *mutual* determination.

The language proposed on both sides for an agreement between the two countries is given as Tab A. [4]

Recommendation

Since our Chargé at Ottawa, Don Bliss, raised the communications facilities question with Mr. Pearson on two occasions last week, Mr. Pearson may initiate its discussion. [5] If so, it is recommended that you should not ask him for a commitment until *after* he has seen the President about the St. Lawrence. [6] We can anticipate a favorable reaction to the interview with the President and in that climate, Mr. Pearson might be willing to assure you that the small parcels of land will be available to the United States until the United States and Canada mutually agree the communications facilities are no longer necessary. If you can get Mr. Pear-

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[4] "Recapitulation of Negotiations with Canada for Communications Facilities," Apr. 11, 1952, not printed.

[5] Reference is to Acheson's planned meeting with Pearson on Apr. 12; see the editorial note, *infra*.

[6] See Document 941.

son to agree to such a phrase, we believe the problem will be solved.

No. 940

Editorial Note

On April 12, the Secretary of State met with the Canadian Foreign Minister and afterwards prepared a memorandum on the conversation which has not been found in Department of State files. An excerpt of that memorandum, however, exists bearing the date of the conversation. It reads as follows:

"Subject: Availability of Land in Canada for USAF Worldwide Communications Network.

"He mentioned the difficulty which the position of the Air Force made for the Canadian Government. This came, he said, from the idea that the Canadian Government was increasingly being tied up with long-term arrangements which gave the United States operating rights in Canada. He thought that the purposes of both Governments could be achieved without creating this unnecessary political difficulty.

"I pointed out the difficulty of getting the necessary funds for these installations if our right to use them might be terminated even before they were completed.

"He recognized this problem. He stressed the desire of the Canadian Government to cooperate with us and thought that we could place more reliance upon this continuing desire, which, in any event, was the basis of the arrangements. He suggested handling the matter by having the Canadian Government make the land available to us on the basis that neither party should question the continuing need for our operation for five years and that thereafter, the Canadian formula of one year's notice, valuation and repayment, this right to be exercised by either party, should prevail.

"I said that we would re-examine the question to see whether this helped us with our problem. I mentioned this conversation this morning to Ambassador Woodward, who thought this was a step forward and that, if we could add to it the right of consultation through the Joint Board, something might be worked out." (Canadian Desk files, lot 69 D 302, "Canada—Labrador and Newfoundland, Globecom")

No. 941

Agreed Minutes of a Meeting Between President Truman and Canadian Representatives [1]

CONFIDENTIAL WASHINGTON, April 14, 1952.

MINUTES OF DISCUSSION WITH THE PRESIDENT ON THE ST. LAWRENCE PROJECT HELD AT THE WHITE HOUSE ON APRIL 14TH

At the meeting in the President's office at 12:30 p. m. on April 14th there were present from the Administration:

President Truman,
Mr. Dean Acheson, Secretary of State,
Mr. David Bruce, Under Secretary of State,
Mr. Stanley Woodward, U.S. Ambassador to Canada, and
Mr. Charles Murphy, Special Counsel to the President.

The Canadian representatives were:

The Hon. L. B. Pearson, Secretary of State for External Affairs,
The Hon. Lionel Chevrier, Minister of Transport, and
Mr. Hume Wrong, Ambassador to the United States.

The President opened the meeting by saying that there had been more than enough delay in getting the St. Lawrence Project under way and that he was anxious that it should be started as soon as possible. There was, however, some prospect that the Senate would act on the 1941 Agreement; the Senate Foreign Relations Committee was to consider the matter on April 22nd and it was expected that the Committee would report the joint resolution endorsing the Agreement. [2] He therefore asked that the Canadian Government should consent to wait for thirty days in order to determine what action the Senate might take, adding that this was the last time on which he would make a suggestion for a further delay.

He asked Mr. Acheson whether he had any comment to make on his opening remarks. Mr. Acheson said that he fully agreed that

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[1] This record, although it carries the date Apr. 14 on the source text, is the final version of an original draft by Wrong which was altered slightly according to suggestions made by Bruce on Apr. 16 and approved by Wrong on Apr. 21. The original draft, the Bruce suggestions, and the approval by Wrong are in files 611.42321 SL/4-1552, 4-1652, and 4-2152, respectively.

[2] The Senate Foreign Relations Committee voted on Apr. 22, 9-4, to report the St. Lawrence Seaway Bill (S. J. Res. 27) for the calendar without recommendation. After Senate debate, beginning June 12, the resolution was returned to committee on a 43-40 role call vote on June 18. For an account of the legislative action in 1953 on this joint construction project, see the *Congressional Quarterly Almanac*, vol. VIII, 1952, pp. 338-341. A plea from President Truman not to kill the legislation was brushed aside.

the patience shown by the Canadian Government was extraordinary, and he supported the views expressed by the President.

Mr. Pearson welcomed the remarks made by the President. The Canadian Government, however, was anxious that there should be no delay in taking the first step necessary to clear the way for the construction of the waterway by Canada, which was agreement on a reference to the International Joint Commission of the power phases of the project by both governments. Such a reference as soon as possible would not prejudice the joint project if Congress were to act before the end of the session.

Mr. Truman said that he had no objection whatever to the two governments proceeding to a reference to the International Joint Commission without any delay. He asked Mr. Murphy to speak on the problem of designating a U.S. agency to share in the construction of the power facilities.

Mr. Murphy said that it would not be necessary immediately to specify any particular agency. Later on a particular agency could be named after it became clear that the Congress would not act on the joint project. He asked whether the reference to the I.J.C. would cover the Canadian waterway as well as the power facilities.

Mr. Pearson said that it was not necessary to refer the Canadian waterway to the I.J.C. The Canadian Government, however, was prepared to give the most definite assurances that the waterway would be constructed by Canada. The engineers designated by Canada to sit on any engineering board set up for the power facilities by the I.J.C. would be the same men who would be responsible for the plans for navigation.

Mr. Acheson then inquired whether any issues concerning water levels in the St. Lawrence would arise in connection with the building of the canal in Canadian territory. Mr. Chevrier explained that in constructing the Canadian waterway the plans employed for regulation of levels were those embodied as Method No. 5 in the plans for the joint project and that these plans had been fully agreed by the engineers of both countries. Mr. Pearson remarked that if it was found that the building of a Canadian waterway involved matters coming within the scope of the Boundary Waters Treaty of 1909 the questions of levels in the river might have to be considered by the I.J.C.

In answer to a question by Mr. Acheson, Mr. Chevrier gave an assurance that the plans for power development would be the same as those worked out in the 1941 Agreement if the waterway was to be constructed by Canada.

Mr. Pearson and Mr. Chevrier remarked that it would be an advantage if the U.S. agency which would cooperate with Ontario were the New York Power Authority. They explained that Ontario

and New York had already worked out an agreement on the tricky question of the division of costs between power and navigation facilities and that it would be very convenient not to disturb this.

The President agreed that the two governments should go ahead at once in preparing an application to the I.J.C., remarking that this might stimulate the Congress to move on the joint project. He asked Mr. Murphy to urge the U.S. Departments and Agencies concerned to get on with the preparation of an application as rapidly as possible. He added that he would do anything that was legal, legitimate and fair to further the project at this time. [3]

Mr. Murphy observed that one of the things that would need doing would be to get before the Federal Power Commission an application of a U.S. entity for permission to construct the U.S. share of the power facilities.

Mr. Acheson then said that he wished to be quite clear on the agreement which had been reached. Was he correct in understanding the discussion as concluding that a period of thirty days would be left after the Senate Foreign Relations Committee considered the joint project on April 22nd before an application would be submitted to the I.J.C., and that later on if it became apparent that the joint project was dead a specific agency would be designated by the President to develop the U.S. part of the power works?

Mr. Pearson said that that was not his exact understanding. What he understood was that an application would be filed with the I.J.C. as soon as it could be prepared without any necessity for waiting thirty days from April 22nd if the application was ready before then. During the thirty-day period, the designation by the United States of a particular agency to undertake the power development was not expected, but this would follow in due course if Congress had taken no action. If the Congress were to approve the joint project within that time, or indeed at any time while the application was under consideration by the I.J.C., both governments would be ready to revert to the 1941 Agreement and withdraw the matter from the I.J.C.

The President endorsed the interpretation given by Mr. Pearson, and it was agreed to proceed as rapidly as possible with the preparation of the application to the I.J.C. It was also agreed that the press should be so informed at once.

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[3] On Apr. 19, President Truman sent identical letters to Tom Connally, Chairman of the Senate Committee on Foreign Relations, and Charles Buckley, Chairman of the House Committee on Public Works, informing them of the substance of this Apr. 14 meeting and urging them to speed Congressional approval of the joint U.S.-Canadian development plan under the 1941 Agreement. For the text of the letters, see Department of State *Bulletin*, May 5, 1952, p. 719.

No. 942

Editorial Note

On May 13, officers of the Department of State and of the Canadian Embassy met in Washington to discuss the possibilities of war with the Soviet Union and the use of atomic weapons. The Canadian participants were Ambassador Hume Wrong and Counselors of Embassy George Ignatieff and Douglas Le Pan. Representing the Department of State were H. Freeman Matthews, Deputy Under Secretary of State; Paul Nitze, Director of the Policy Planning Staff; and Joseph Chase of the Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs.

Nitze suggested concentrating on Germany and Korea because not much had changed elsewhere since the last meeting in February (see Document 937). Beyond the stress placed on Germany and Korea, brief comments were made on potential problems in the Middle East, South Asia, and the Far East. In a concluding comment, Ambassador Wrong stated that he felt the meetings were very useful in proving that the United States was not trigger happy. He suggested a meeting devoted chiefly to the Korean situation within the next couple of months. The record of this meeting, drafted by Chase on May 13, is in S/AE files, lot 68 D 358.

No. 943

Canadian Desk files, lot 69 D 302, "Canada—Labrador and Newfoundland, Globecom"

The Secretary of the United States Section of the Permanent Joint Board on Defense (Wight) to the Steering Member of the Board (Walsh)

RESTRICTED [WASHINGTON,] June 13, 1952.

DEAR GENERAL WALSH: Reference is made to your letter dated May 12, 1952 and to our meeting of June 9, 1952 [1] in regard to proposed arrangements with the Canadian Government for the construction by the U.S.A.F. of global communications facilities.

This letter is to confirm the understanding which we reported at that meeting as having been worked out by the U.S. Embassy in Ottawa and the Canadian Department of External Affairs:

(1) The Canadian Government is agreeable to having the global communications facilities at Northwest River incorporated under

[1] Neither the letter nor a record of this meeting has been found in Department of State files.

the Goose Bay Lease. The Canadian proposal is that the two governments exchange letters at the time of signing the Goose Bay Agreement. [2] The Canadian letter would refer to paragraph 10(e) of the Goose Bay Agreement [3] and would provide the U.S. with assurances of occupation and use of the land for communications facilities for the period of the lease. All terms and conditions of the Goose Bay Agreement would apply.

(2) You will recall our understanding that the R.C.A.F. also might wish to construct facilities adjacent to the Northwest River site and that the U.S.A.F. had signified its willingness to make this a joint use area. It is also understood that the U.S.A.F. will construct the roads, power, heat and other facilities and arrange for their common use with the R.C.A.F. on a service-to-service basis. The U.S. Embassy in Ottawa has informed the Canadian Department of External Affairs that this understanding is correct, but I shall appreciate a further confirmation from you on this point.

(3) It will be necessary to have a separate arrangement for the establishment of the global communications site in the vicinity of Harmon Field. The U.S. Embassy in Ottawa and the Department of External Affairs have therefore agreed on the following language which has now been approved by the Canadian Secretary of State for External Affairs:

> "This land shall be available without charge to the U.S. for its exclusive use while there is a continuing need for the facilities for defense communications in the mutual interests of both countries. In the event that either government wishes to discontinue the arrangement, the question of the continuing need will be referred to the P.J.B.D. In considering the question of need the P.J.B.D. will take into account the relationship of the communications facilities erected on this land with those established at or in the vicinity of Goose Bay.
>
> "If it is decided by either government at any time in the future, following consideration by the P.J.B.D. as provided above, that the facilities are no longer necessary for defense purposes, the land, together with any immovable facilities on it, will on 12 months' notice revert to the use of the Canadian Government."

(4) It is understood informally that the U.S.A.F. also desires to establish at Goose Bay a VOR radio range as an aid to air navigation, and a similar installation may be established in the vicinity of Harmon Field. No agreement has been reached between the R.C.A.F. and the U.S.A.F. as to the location of these radio ranges. Provision will therefore be made in the Agreement between the

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[2] This agreement respecting lease to the United States of areas at Goose Bay, Newfoundland, was effected by exchange of notes signed at Ottawa Dec. 5, 1952. For the text of these notes, see 3 UST (pt. 4) 5295.

[3] The paragraph states that the lessee may, jointly with the lessor, have use of such other areas and facilities at Goose Bay as may be agreed upon from time to time, subject to compensation for certain types of damage or injury caused by the lessee.

U.S. and Canada so that projects of this nature may be added at a later date.

As you know, negotiations have been carried on with the Canadian Government regarding the global communications installations since February, 1951, both through the P.J.B.D. and through diplomatic channels. The understanding which has now been reached represents a great improvement from the standpoint of the U.S. over the original Canadian conditions. As you know also, the negotiations have been carried on recently at a high level and have received the personal attention of both the Secretary of State and the Canadian Secretary of State for External Affairs. The U.S.A.F. is most anxious to take advantage of the present construction season and has requested the right of entry and the right to begin construction, which the Canadian Government has now granted. It is believed that the arrangements for the global communications are the best which can be gained in view of the above considerations and in the interests of our relations with Canada. I believe that the proposed agreement represents an equitable and practicable solution and that it would be in the interests of the U.S.A.F. to accept the proposal. [4]

Sincerely yours,

WILLIAM L. WIGHT, JR.

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[4] The above arrangements for the duration of availability of land in Canada for exclusive use of the United States in its defense communications system were approved by the USAF and formalized in the defense agreement with Canada effected by exchange of notes signed at Ottawa Nov. 4 and 8, 1952. For the texts, see 3 UST (pt. 3) 3741.

No. 944

Editorial Note

The Department of State announced on June 30 that an application had been submitted by the United States Government to the International Joint Commission for an order of approval of the construction of works for power development in the International Rapids Section of the St. Lawrence River. The Canadian Government submitted a concurrent application in Ottawa. Agreement on the final details of the applications was reached at a meeting in Washington on June 30 between Acting Secretary of State Bruce and the Canadian Minister of Transport, Lionel Chevrier. At the meeting Bruce and Ambassador Wrong exchanged notes in which the Ambassador reiterated the intention of the Canadian Government to construct a deep sea waterway from Montreal to Lake Erie

when arrangements had been completed for power development. It was agreed that the seaway, to be built on the Canadian side of the international boundary, would be constructed as nearly as possible concurrently with the power development. The above information and texts of the Canadian and United States notes of June 30, are printed in Department of State *Bulletin*, July 14, 1952, page 65.

No. 945

611.42321 SL/7-252: Telegram

The Chargé in Canada (Bliss) to the Department of State [1]

RESTRICTED OTTAWA, July 2, 1952—11 a. m.

2. Following personal letter dated June 30 addressed to Ambassador by Prime Minister:

"I cannot let the day pass without writing to express my personal appreciation, as well as the appreciation of the Government, for the devoted and effective service you have given to the interests of both our countries in advancing the development of the St. Lawrence Waterway for power and navigation. We are all delighted that the applications have now gone forward to the International Joint Commission, and are hopeful that, from now on, the only obstacles we will have to overcome will be the obstacles of nature.

"I should be glad if, at the first opportunity, you would tell the President how very much we in Canada all appreciate the great personal interest he has taken in this project and the way in which he has acted to advance us to the point it has reached today. I know it has been his support which has been decisive".

BLISS

[1] The Department, as requested by the Chargé, relayed this message to Madrid where Woodward was on leave, and conveyed it to the White House for the attention of President Truman in a memorandum of July 3 from L. D. Brown to David Bell. (Truman Library, David E. Bell files, "St. Lawrence Canadian Proposal")

No. 946

Editorial Note

On September 2, G. Hayden Raynor met with Ambassador Wrong to discuss plans for an informal and unannounced visit by Lester Pearson to Washington September 4-5. He was expected to arrive mid-afternoon, hold brief meetings with appropriate persons, have dinner with a small group including Secretary Acheson at the Embassy or Chancery, and leave Washington after lunch on Sep-

tember 5. The Ambassador said Pearson wanted to discuss NATO questions, the United Nations General Assembly's handling of the Korean question, and the status of the St. Lawrence Seaway and Power Project. (Memorandum of conversation, by Raynor, September 2, 1952; 742.13/9-252) Records of a Pearson visit and discussions of September 2–4 have not been found in Department of State files.

No. 947

Truman Library, Charles S. Murphy files

Memorandum of Conversation, by the Ambassador to Canada (Woodward)

CONFIDENTIAL [WASHINGTON,] October 20, 1952.

Subject: St. Lawrence Seaway and Power Project

Participants: The President
Ambassador Stanley Woodward

In a conversation with the President today on the St. Lawrence Seaway and Power Project, I reported that the IJC was meeting today and tomorrow in Washington holding final hearings with the objective of bringing out a release of an Order of Approval on the joint application. I said that we were all hopeful of the success of the meeting.

I also said that I had been impressed by the fact that all three U.S. Commissioners and all three Canadian Commissioners, as well as others in Washington, seemed to feel that in the distribution of cost allocation, too much of the burden was now placed on the cost of the construction for power. It was the consensus of opinion that in order to make available cheap electricity in the valley of the St. Lawrence, more of the burden of the overall costs of construction should be placed on the seaway and less on the hydro-electric development.

I asked the President whether I might approach Prime Minister St. Laurent in his name and sound him out on the subject.

The President instructed me to do so, adding that he wanted a common sense and fair arrangement and if this meant reconsideration of the allocation of costs, it should be done, in his opinion. He said that he had no disposition to delay construction of the project but that we should work things out to the best advantage of all concerned.

No. 948

611.42321/10-2752: Telegram

The Ambassador in Canada (Woodward) to the Department of State

CONFIDENTIAL OTTAWA, October 27, 1952—4 p. m.

PRIORITY

96. Upon instructions of Pres. Truman I called Friday [1] on PM St. Laurent and spoke with him about the allocation of estimated costs of the construction of the St. Lawrence seaway and power project.

I said that during mtgs last week of International Joint Commission in Wash, I noted evidence of strong sentiment for reexamination of allocation of costs on St. Lawrence project stemming from desire of both our countries to keep down costs of hydroelectric power. I said that I hoped I was betraying no confidences if I mentioned all 6 commissioners—US and Canadian—seemed to favor reallocation. For these reasons it had appeared possibly to our common advantage to place costs of common works on the canal for eventual amortization by tolls, rather than to keep costs of common works on the power project and thereby increase costs of electricity to potential consumers.

I said when this had been called to the attention of the President, [2] he had instructed me to sound out the PriMin on the subject, with assurance that he had no disposition to delay but that we should work things out to best advantage of all concerned.

PriMin replied he did not believe it now feasible to re-examine allocation of costs because to do so would require him to go back to Parliament and reopen whole subject. This he did not want to do although he supposed with govt's majority, new legislation could be pushed thru Parliament. Furthermore, this was election year in Can and the St. Lawrence a polit issùe. His govt had been criticized for already doing too much for central Can (Ont and Que) and it was now concentrating on public work projects in other provinces. He then mentioned projects in Maritimes and BC and his recent appointment of two new members of Cabinet from BC as demonstration of his interest in doing more for provinces outside central Can.

PM stated that only grounds on which he would be willing to consider the reallocation of costs were on basis of 1941 agreement.

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[1] Oct. 24.

[2] See Woodward's memorandum of conversation with the President, Oct. 20, *supra*.

During our conversation, I mentioned that in traffic estimates for the seaway some 80 percent wld be for Amer accounts and that the amortization costs of the Canal would therefore be borne in very large measure by US interests. PM said that this might be true but it was not an argument which he could use in going before Can Parliament.

I also said that Federal Power Comm had before it an application for license submitted by the NY State Power Authority to build US half of power project and that it was possible FPC might take position that it would be contrary to its policy and not in best interests of US to approve license if it felt costs of electricity to be generated would be unduly high owing to construction costs which were not directly connected with power development. PM reaction to this was that in such case whole St. Lawrence project might be delayed another 3 or 4 years.

At end of our talk, St. Laurent stated that in the operation of seaway, Can wanted US to have a voice in fixing tolls.

WOODWARD

No. 949

611.42321/10-2952

Prime Minister St. Laurent to the Ambassador in Canada (Woodward) [1]

CONFIDENTIAL [OTTAWA,] October 27, 1952.

DEAR MR. WOODWARD: With reference to our conversation in my office last Friday, you might find it useful to have a brief written account of the reply I made to the President's personal message, which you conveyed to me at that time, [2] regarding the possibility of allocating to navigation a greater share of the costs of the works described in the joint applications for power development in the International Rapids Section of the St. Lawrence River than is contemplated in those applications.

As I told you on Friday last, I feel that much of the misunderstanding which appears to exist in respect of the problem of allocation of costs is due to the fact that the conception of common works, as envisaged in the 1941 Agreement, is still very much to

[1] Woodward transmitted a copy of this letter to the Department in despatch 429, Oct. 29. (611.42321/10-2952) The Embassy was requested by the Department of External Affairs not to release the letter for publication without clearance by the Canadian Government.

[2] For a summary of this conversation, see telegram 96 from Ottawa, *supra*.

the fore in many persons' minds whereas, in fact, under the applications now before the International Joint Commission there are no common works. The joint applications which our two governments have submitted to the International Joint Commission relate to power and power alone. The application which has now been made to the Federal Power Commission of the United States also relates to power and power alone.

It is my understanding that the policy of the administration in the United States has been that hydro-electric energy should not be developed in the International Rapids Section unless a deep waterway was constructed concurrently. For this reason and because the Canadian Government also supports strongly early construction of the seaway, we have agreed to insert a reference to Canada's commitment in this respect in the joint applications for power development now before the International Joint Commission. This reference, however, in no way alters the basic fact that the development of power in the International Rapids Section is the only matter for consideration either by the International Joint Commission or the Federal Power Commission.

As I explained to President Truman when we discussed the matter in September 1951, [3] the Canadian Government's position is that, provided appropriate agencies in Canada and the United States are willing and have authority to construct, pay for and maintain all the works required to develop hydro-electric energy in the International Rapids Section of the St. Lawrence River as if power were to be developed alone, the Canadian Government will concurrently construct, pay for and maintain whatever additional works are required to ensure uninterrupted 27-foot navigation between Lake Erie and the Port of Montreal. The basis on which this commitment was made was agreed to by the Government of the United States in the exchange of Notes which took place on June 30, 1952. [4] The works described in Section 8 of the applications now before the International Joint Commission, as modified by our agreement of June 30, are all required to develop power and, as a consequence, all the works are properly attributable to power, with the sole exception of certain additional excavation which the Canadian Government stipulated must be undertaken as a condition of its approval and for which it has agreed to pay $15,000,000. It would be well to remember in this connection that the power-developing entity in the United States has been relieved, by the agreement referred to above, of the necessity of providing for the continuance of 14-foot navigation, the total cost of which had been esti-

[3] For a record of this conversation, see *Foreign Relations*, 1951, vol. II, p. 920.
[4] For information on this exchange, see Document 944.

mated a few years ago to be approximately $14,000,000. Thus, the cost of developing power under the current applications to the International Joint Commission and to the Federal Power Commission will, in fact, be lower than would be the case had not the Canadian Government committed itself to construct the seaway.

I would also like to stress that the basis of the arrangement respecting development of the International Rapids Section was approved by the Parliament of Canada and the Legislature of the Province of Ontario and that appropriate laws were duly enacted by both bodies. In view of the agreement reached between Canada and the United States on June 30th, and quite apart from the other considerations outlined above, I think it would be unrealistic to expect the people of Canada or their elected representatives to countenance any change in these laws at this late date.

In the final analysis, the proposal to construct the deep waterway between Lake Erie and the Port of Montreal is something which the Canadian Government is unilaterally and quite independently superimposing on a power development project to be undertaken in the International Rapids Section of the St. Lawrence River by the Ontario Hydro-Electric Power Commission and an entity to be designated by the Government of the United States. In the circumstances, our public would fail to see that there are justifiable grounds on which to re-open this question now and I feel that any attempt to do so would entail long delays even if we could ultimately succeed in doing the educational work required to secure the approval of our public.

I would be grateful if you would convey the contents of this letter to President Truman together with my warmest personal regards. [5]

Yours sincerely,

LOUIS S. ST. LAURENT

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[5] A copy of this letter was enclosed in Woodward's letter to the President of Oct 28, *infra*.

No. 950

611.42321/10-2952

The Ambassador in Canada (Woodward) to the President [1]

CONFIDENTIAL OTTAWA, October 28, 1952.

DEAR MR. PRESIDENT: Following your instructions, I spoke with Prime Minister St. Laurent about the St. Lawrence Project and the possibility of having another look at the allocation of costs, to make sure we are not loading too much of the price on the power development.

The Prime Minister says that: "In the circumstances, our public would fail to see that there are justifiable grounds on which to reopen this question now and I feel that any attempt to do so would entail long delays even if we could ultimately succeed in doing the educational work required to secure the approval of our public."

In a letter to me of October 27th,[2] he expresses this objection and other reasons for his views, and he has asked me to pass them on to you with his warmest regards. A copy of his letter is enclosed.

Although there was a good deal of sentiment in Washington during the International Joint Commission meetings, among Canadians, as well as among Americans, for another look at the cost allocations, I think we have a reasonably good deal on the basis of our exchange of Notes with Canada dated June 30, 1952, and that we should proceed now on that basis.

As always,

Most sincerely yours,

STANLEY WOODWARD

[1] A copy of this letter was transmitted to the Department of State in despatch 429 from Ottawa, Oct 29. (611.42321/10-2952)

[2] *Supra.*

No. 951

611.42321 SL/11-152

Prime Minister St. Laurent to President Truman

CONFIDENTIAL [OTTAWA,] October 31, 1952.

DEAR MR. PRESIDENT: We are naturally delighted here in Canada that the International Joint Commission has approved [1] the application made by our two governments for the power development in

[1] On Oct. 29.

the St. Lawrence River, and we will be deeply grateful for anything it is possible for you to do to facilitate or expedite the hearings before the Federal Power Commission, which is the last remaining obstacle to the commencement of this great power and navigation project, which means so much to both our countries. Your many friends in Canada would like to feel that the actual commencement of this historic undertaking would be associated with your term of office as President of the United States.

You will recall that, at the time you received my colleagues, Mr. Pearson and Mr. Chevrier, on the 14th of April last, [2] when the two governments agreed to submit applications to the International Joint Commission, it was also agreed that, if the Congress of the United States were to approve the joint project at any time while the application was under consideration by the International Joint Commission, both governments would be ready to revert to the 1941 Agreement and withdraw the matter from the International Joint Commission.

Now that the International Joint Commission has approved the applications, and particularly as we have already taken certain preliminary steps with respect to the construction of the Seaway, my colleagues and I have concluded that it would no longer be practicable for the Canadian Government to revert to the actual terms of the 1941 Agreement which has never been ratified, and that the proper course for us to take is to inform your Secretary of State that the Canadian Government now regards that Agreement as having been completely superseded.

We feel there are two reasons for taking this course. One is that so long as there appear to be two alternatives, it seems to us that the opponents of the development of the navigation and power resources of the St. Lawrence will endeavour to play one off against the other, and thereby thwart the development itself. The second consideration, which I feel sure you will fully understand, is that public opinion in Canada, and particularly, in the Province of Ontario, has now become solidified in support of the plan which has been approved by the International Joint Commission.

In the circumstances, I do not believe it would be realistic to ask our Parliament to approve the actual terms of the 1941 Agreement, and any attempt to provide for a joint undertaking without a new agreement between our two countries would certainly be in the highest degree embarrassing to the present Administration which, as you know, is going to have to face a general election in the relatively near future.

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[2] For a record of this meeting, see Document 941.

In these circumstances, we have felt here that the most appropriate time to advise the United States Government of our position would be November 4th, since, on that day, our action could not be used by anyone in any attempt to influence the course of the Presidential campaign, nor could it be interpreted as having, in any way, been influenced by the outcome of that campaign. Moreover, our action at this particular time seems a natural consequence of the decision of the International Joint Commission, and any delay in making our position clear might be open to misinterpretation.

I did not want to have formal action of this kind taken without advising you privately, as long as possible in advance, and the only reason this word was not sent to you earlier is that our decision as to timing, which was necessarily governed by the date of the decision of the International Joint Commission, has only just been made.

I should like, before concluding this letter, to say once more how deeply I have valued the close and understanding relationship we have had since I became Prime Minister of Canada, and to assure you again that I will not, and I know the Canadian people will not, forget the immense and courageous services you have rendered in these post-war years in strengthening the ramparts of freedom and reducing the awful prospect of a third world war.

With warmest personal regards and every good wish for the future.

Believe me, Mr. President,

Yours very sincerely,

LOUIS S. ST. LAURENT

No. 952

611.42321 SL/11-352

Memorandum of Telephone Conversation, by the Personal Secretary to the Secretary of State (Evans)

CONFIDENTIAL [WASHINGTON,] November 3, 1952.

Participants: Ambassador Woodward
Mr. Acheson

The Secretary returned a telephone call which Ambassador Woodward had made to the Secretary yesterday but which had not gone through to the Secretary who was out at the farm. Ambassador Woodward said he wanted to discuss with Mr. Acheson the letter which the Prime Minister had sent to the President on Sat-

urday [1] and the note which the Canadians proposed to present on November 4 to this Government in regard to canceling the 1941 agreement on the St. Lawrence. Ambassador Woodward said that the Prime Minister had explained that Canada proposed to take this action in view of the International Joint Commission's recent action. He had said that it would be very embarrassing for the Canadian Government to go back before Parliament on the basis of the 1941 agreement in view of the Joint Commission's action and that the Canadian Government was very anxious to state its position at this time.

Ambassador Woodward had said to the Prime Minister that he would get this information to the President and subsequently telephoned Mr. Murphy and gave him the substance of the Prime Minister's letter. Mr. Murphy thought that this action on the part of the Canadian Government was precipitant in that it was being delivered on election day. Mr. Woodward had explained the Canadian reasons for wanting to deliver it on election day, i.e., by delivering it on election day they could not be accused of influencing the American election one way or the other, nor could there be ascribed to the Canadian Government any reaction on its part to whichever candidate won. Mr. Murphy said he could see no urgency from our point of view for having the Canadian Government take such immediate action.

Ambassador Woodward said that he reported to the Secretary of the Privy Council the fact that he had talked with one of the President's assistants and had passed on the substance of the Prime Minister's letter; that he did not feel that he could get in touch with the President personally because of the pressure of his trip. The Secretary of the Privy Council had reaffirmed that the farthest thought from Canadians minds was to embarrass the President. It had been exactly the opposite and that was why they had picked November 4 as the best day to deliver the note.

Ambassador Woodward pointed out to the Secretary that his opinion was that the Canadians should be deferred from delivering the note tomorrow, which would freeze their position. He thought the President had gone very far in supporting the Canadian position and he felt that this new proposed action would be difficult for the President.

The Secretary said that he had had some talk with Mr. Pearson about the St. Lawrence project but that he had not been told about the proposed letter to the President and the note. He had not talked the matter over with Mr. Wrong, when he saw him on Saturday night, because he did not know what the President's position

[1] *Supra.*

would be. Ambassador Woodward said that it had been his understanding from the Prime Minister that the latter was going to ask Mr. Pearson to tell the Secretary about the note. The Secretary said that all Mr. Pearson had spoken to him about was what had been reported in the memorandum of conversation [2] which he had dictated in New York.

Ambassador Woodward said the more he thought about it, the more important it seemed to him that the Canadians should not take this position without further consultation with us and possibly some talk with the President. The Secretary said he was inclined to agree and that, if there should be any communication at this time, it would probably be better not to have a written one. He said he would consult further in the Department and would get in touch with the President.

After talking with the President, which conversation is reported in a separate memorandum, [3] the Secretary telephoned Ambassador Woodward again and reported the President's views as set forth in the memorandum of conversation. The Secretary said that he had told the President that he had a recommendation from Mr. Woodward and from Mr. Murphy that an effort should be made to get the Canadians to defer the delivery of the note. The President had been firm in his decision to let the note be delivered.

Ambassador Woodward said that he would call the Secretary of the Privy Council and tell him that there was no objection to delivering the note. [4]

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[2] No record of this meeting between the Ambassador and the Prime Minister, presumably held in late October, has been found in Department of State files.

[3] *Infra.*

[4] The note was released to the press in Washington and Ottawa after delivery to Acheson by Wrong on the afternoon of Nov. 4.

No. 953

611.42311/11-352

Memorandum of Telephone Conversation, by the Secretary of State

CONFIDENTIAL [WASHINGTON,] November 3, 1952.

MEMORANDUM OF CONVERSATION WITH THE PRESIDENT

I telephoned the President and inquired whether he had received the letter from the Prime Minister of Canada. [1] He said that he had not received it and did not know that any had been sent.

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[1] Document 951.

I then described the purpose and effect of this letter and read him the document. I said that the purpose of this letter was to cancel the agreement of 1941 in view of the action of the International Joint Commission, thus leaving the Canadians free to proceed with its own development and that thereafter, if any idea of a return to international action was contemplated, a new agreement would have to be negotiated. I reminded the President of his conversations of last April.

The President said he understood the Canadian point of view and thought that they were justified in cancelling the agreement. He also understood why they had chosen November 4 and thought that they had a good point in doing it on that day. He asked whether I had any recommendation.

I informed him that Mr. Murphy and Ambassador Woodward believed that Mr. St. Laurent should be asked to defer taking the formal action and that undoubtedly this would also be the view of Secretary Chapman. I then read to the President the attached draft letter, [2] which I said was our recommendation.

The President said that if we felt strongly that we must ask for this deferral he would agree to do it entirely upon my recommendation. However, he felt strongly that the Canadians had acted with great patience, that they were entitled to take this action, and that he wished to do whatever was necessary to enable them to proceed during his term as President. He, therefore, asked me whether I pressed this recommendation upon him.

I said that I believed that ultimately the action which the Canadians proposed to take on November 4 would be taken. The only question was whether it should be taken more deliberately and whether that would have a better result upon the subsequent decisions of the two Governments.

The President said that he felt strongly that it wasn't necessary or desirable for the subsequent effects; that he thought the matter should not be allowed to drag on; and that, therefore, he would decide that we should accept the Canadian note; and that he would immediately upon his return take up the matter with the various interested agencies of the United States, explaining to them that this was his decision, and outlining to them the action which he wished them to take.

I told the President that his wishes would be followed in this regard.

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[2] Not attached to the source text.

No. 954

742.5/11-1452

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Deputy Under Secretary of State (Matthews) [1]

SECRET [WASHINGTON,] November 14, 1952.

Subject: Difficulties encountered in obtaining Canadian Government approval for U.S. or joint-defense projects in Canada.

Discussion

Members of the Permanent Joint Board on Defense, U.S.-Canada are becoming worried by the increasing reluctance of Canada to approve U.S. or joint military projects on Canadian soil. The U.S.A.F. has withdrawn its request to develop Torbay Airport, Newfoundland as an air depot and may withdraw its request for a base for fighter aircraft. Owing to the difficulties being encountered, the U.S.A.F. and the other U.S. Services are re-examining their overall planning with respect to Canada, with a view to reducing their requirements and to meeting the Canadian objections.

Background

The hitherto highly successful joint defense planning carried on in the Permanent Joint Board on Defense has become more difficult during the past year. The Members of the Canadian Section of the Board are genuinely anxious and willing to cooperate, but resistance appears to center in the Department of External Affairs and the Canadian Cabinet Ministers (to which these matters are referred) and is essentially political. On the other hand, the U.S. military services have brought on a good share of their difficulties by their own attitudes and actions. The U.S.A.F., which is the service most active in Canada, has unfortunately often proceeded in a cavalier fashion which has upset and annoyed the Canadians.

The principal difficulties at present appear to be based on the following considerations:

(*a*) The Canadian Cabinet's opposition to the stationing of additional U.S. troops in Canada in peace-time;
(*b*) Fears on the part of External Affairs that Canadian sovereignty might be violated;
(*c*) The need of U.S. defense departments for some assurances regarding tenure, versus the announced intention of the government not to grant the U.S. any long-term leases for military bases;

[1] Drafted by Wight.

(*d*) Canadian complaints that the Canadian Cabinet is not fully informed of U.S. plans and intentions owing to an alleged lack of coordination between the military services of the two countries;

(*e*) The inherent conflict in methods of military planning—in the U.S. detailed planning is done by Field Commanders, while in Canada planning is centralized in Ottawa, with a much greater degree of political direction;

(*f*) The often-expressed Canadian desire to be presented in advance with long-range studies giving overall U.S. military requirements, rather than to be confronted with frequent and fragmentary requests;

(*g*) The Canadian desire for a greater part in joint planning and command arrangements (possibly a combined command in the Northeast);

(*h*) Difficulties in allocating responsibility between the U.S. and Canada for command and control of air defense and ground defense forces at bases in Canada;

(*i*) Problems caused on occasion by the U.S.A.F.'s tendency to utilize informal channels of communication owing to a lack of appreciation of the impact on Canada of its requests. The U.S.A.F. has also been prone in turn to hasty action and long delays, abrupt changes in plans, and the presentation of requests without adequate documentation. Very good progress has been made in the past year in correcting these deficiencies which are caused largely by the size and complexity of the U.S. military organization. (This latter aspect of the matter is not always fully appreciated by the Canadians.)

Possibly because of the above-mentioned considerations in the minds of the Canadian Cabinet, no important defense agreement has been concluded through the P.J.B.D. during the past year.[2] The Canadians appear particularly adamant with respect to any project involving additional U.S. personnel.

There are listed below several of the most urgent matters which are still outstanding:

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[2] Several defense agreements of a more limited nature were developed during 1952 out of recommendations of the PJBD approved by President Truman. Recommendation 51/5 concerning movements of U.S. and Canadian aircraft across the border, and Recommendation 51/6 regarding air defense mutual reinforcement in wartime, were approved on Mar. 7. Recommendation 52/1 concerning the simplified arrangements for entrance of public vessels of either country into the territorial waters of the other was approved on May 19. Recommendation 52/2 concerning control of electromagnetic radiations in the event of attack was approved by President Truman on Jan. 19, 1953. These recommendations, when approved, had the force of exchanges of notes. The abovementioned recommendations, attached to covering memoranda by the Secretary of State recommending approval by President Truman dated Mar. 5, 1952, May 14, 1952, and Jan. 14, 1953, are in files 742.5/3-552, 5-1952, and 1-1953, respectively. The minutes of many of the PJBD meetings at which the recommendations were discussed are in Canadian Desk files, lot 63 D 156. This is the master file of the Permanent Joint Board on Defense, United States-Canada for the years 1940–1958, as maintained by the Canadian Desk of the Office of British Commonwealth and Northern European Affairs.

(a) Lease to the U.S.A.F. of part of the R.C.A.F. station at Goose Bay

This project was approved in principle in 1950 and the text of the notes has been agreed to by both governments for more than a year. The Canadians have postponed signature for a variety of reasons, the latest being that they wished a further understanding on command and local defense arrangements before signing. Mr. Arneson of S/AE is becoming concerned over the long delays in concluding this important agreement.

(b) Global Communications Project of the U.S.A.F.

Negotiations on this were so difficult that the matter had to be dealt with by Mr. Acheson and Mr. Pearson. A meeting of the minds has now finally been reached after approximately a year of conversations in the P.J.B.D., but conclusion of the necessary agreements is still awaiting Canadian action.

(c) Development by the U.S.A.F. of Torbay Airport

This proposal to establish an air depot and fighter plane base met strong resistance and negotiations have been under way since March, 1951 without success. The U.S.A.F. has now withdrawn its depot request and is considering alternative arrangements with regard to the stationing of fighters in the area.

(d) U.S. Army Pipeline from Haines to Fairbanks, Alaska across Canadian Territory

This project has been discussed with Canada in the P.J.B.D. for approximately two years and the formal request for right-of-way was presented about six months ago. Although the Canadian Cabinet approved at once in principle, procedural and Federal-provincial difficulties are now being encountered, and it appears that the project, which both countries agreed had a high priority, may be adversely affected.

(e) Joint Radar Network

This project, financed ⅔ by the U.S. and ⅓ by Canada, has been fraught with difficulties which have delayed completion approximately two years beyond the original target date. A large share of responsibility for this rests on the U.S.; however, for political and economic reasons, the Canadians insisted that Canadian-manufactured equipment be used, and their failure to produce such equipment to meet the target dates has caused considerable concern.

(f) Six additional Radar Stations requested by U.S.A.F.

This proposal was formally presented at the P.J.B.D. meeting of June, 1952 on advice from the U.S.A.F. that it considered the proposed stations an essential addition to the radar chain. The Canadians displayed reluctance to act and asked for more information. This was presented at the September meeting, at which time the Canadians indicated that the matter would have to be very careful-

ly considered. They also indicated that they might require that Canadian-manufactured equipment be procured.

Conclusion

This information is submitted at this time for your use in case the Joint Chiefs of Staff should raise any of these questions with you.

It is thought also that, if you agree, Mr. Acheson might be asked to mention in a general way, during his trip to Ottawa, [3] our hope that joint defense problems now being encountered may be solved to the mutual satisfaction of both countries.

The U.S. Services, particularly the U.S.A.F., have been stimulated by the U.S. Section of the P.J.B.D. to give high-level attention to ways of meeting the Canadian objections. In particular, the U.S.A.F. is giving thought to mutually satisfactory arrangements with Canada to solve air defense, command, and operational problems. Methods are being actively sought to improve coordination and planning between the U.S. and Canadian Services.

On the political level, it is doubtful that much can be done to overcome deep-rooted attitudes in Canadian Cabinet members, particularly in view of coming elections next year, and in the light of the portents of the U.S. elections for the Liberal Party in Canada, which has been in power for 20 years. Whenever the opportunity presents itself, however, high U.S. officials might emphasize to them that the United States has no desire to infringe on Canadian sovereignty or legitimate interests and that our concern is motivated solely by our wish to build up adequate defenses for the U.S.-Canadian region.

Officers of BNA and of the U.S. Section, P.J.B.D., will continue active consideration of the military problems with Canada and possible means of improving cooperation. Mr. G. Hayden Raynor will be in Ottawa on November 17 and plans to discuss these matters with U.S. Embassy officers and Canadian officials.

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[3] The trip was scheduled for Nov. 21–23.

No. 955

611.42/11-1952

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State [1]

SECRET [WASHINGTON,] November 19, 1952.

Subject: Material on Canada

Problem

To take full advantage of your visit to Canada November 21-23 to bring Canadian attitudes, policies and actions into conformity or harmony with those of the United States, and to dispel or mollify Canadian apprehensions regarding United States action on matters of common interest.

Recommendations

A. General Attitudes

It is recommended that, to the extent that the nature of your visit permits, you take every opportunity that presents itself to indicate to Canadian Cabinet Ministers our conviction that there is no cause for complacency. It could be observed that fundamentally there is no lessened danger of aggression by the Soviets than existed in the tense days of the Berlin blockade and the onset of the aggression in Korea. (Your speech [2] has been designed for the same purpose.)

You could add that every NATO partner has got to see how it can best contribute to collective security, especially at this time when the organization is threatened by the strains experienced by Britain and France. The present moment is an opportunity for Canada to provide an inspiring example in NATO, thus contributing to a confident attitude at the next meeting.

Based on past experience that direct U. S. approaches on these matters can do more harm than good, it is recommended that you not raise the Canada-NATO issue frontally but, by private conversations with Cabinet Ministers, build up a favorable climate for a NATO approach.

B. Bilateral Defense Matters

If opportunity presents itself, you could express hope that the execution of our joint responsibility to defend the North American continent can be carried forward without bickering and in an atmosphere of mutual confidence. You could note that there seems to

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[1] Drafted by Avery Peterson.

[2] Reference is to remarks made before the Canadian Club at Ottawa on Nov. 21. For the text, see Department of State *Bulletin*, Dec. 1, 1952, p. 847.

be evidence of defects on both sides when recent problems are examined—unilateral planning on one side, and hypersensitivity regarding political repercussions on the other; but that we cannot allow the joint defense job to become bogged down by such considerations. You could add that the United States has no desire to put one more soldier on Canadian soil than is necessary to discharge the job at hand, taking into account the portion of the total defense task which Canada is presently in position to handle. You could assure them as to Canadian sovereignty—we completely respect it.

C. St. Lawrence Project

If the Seaway and Power Project is raised by the Canadians, you might express gratification that the two countries seem on their way, finally, toward making use of a great natural resource. The understanding and cooperative attitude of the President could be noted, and also—on the point of the authority of the FPC to name the power entity—Mr. Truman's remark to you on the telephone that "God, Himself, couldn't move the FPC." It would be well to mention that by the terms of the Federal Power Act, a licensee of the FPC is not granted immunity from litigation by opponents and we would be unwise not to expect litigation, perhaps of long duration.

D. Hoof and Mouth Embargo

Only if this subject is raised by the Canadians should you express confidence that the U.S. Department of Agriculture will not maintain the embargo any longer than necessary; that you believe the Canadian livestock industry concurs in the need to control hoof and mouth disease and that the embargo is not a protectionist device. You might express optimism, in a nebulous way, about resumption of our meat imports from Canada but not be specific in this matter, and certainly not with Minister of Agriculture Gardiner, whose speeches have done more harm than good.

Discussion

General. A few salient points regarding present Canadian attitudes are provided at Tab A. It is clear that Canadians are becoming increasingly complacent, introspective and engrossed with internal politics. To the extent that Canadian interests on the international scene are or could be endangered, there is a concomitant endangering United States interests.

Bilateral Joint Defense Matters. A résumé of difficulties encountered with the Canadians in getting approval of either U.S. or US-Canadian joint defense projects in Canada is given at Tab B, a memorandum to Deputy Undersecretary Matthews.[3] The Perma-

[3] See the memorandum by Perkins dated Nov. 14, *supra*.

nent Joint Board on Defense, Canada and the U.S. is encountering heavy going and while the fault is not all the Canadians', they certainly share the blame.

St. Lawrence Project. You will recall the exchange of letters between Prime Minister St. Laurent and President Truman in which the Canadians outlined reasons why they considered the 1941 Seaway Agreement as superseded. The most recent developments and the present position of the project is outlined at Tab C.[4] The Canadian Government fears that the St. Lawrence will be an important issue in the next election unless steady progress is shown in bringing it to fruition. The Government has pressed the Department to have the entity named on the U.S. side to construct the power works, presumably the New York State Power Authority, and seems unable to understand that this is beyond the power of the Administration since the U.S. entity will be that authorized by permit of the Federal Power Commission or—theoretically—authorized by Congressional action. It is probable that the Canadians do not appreciate the extent to which any non-federal entity undertaking construction would be exposed to litigation on the part of interests opposed to the project.

Hoof and Mouth Embargo. The greatest caution is required regarding the fact that the Department of Agriculture is taking positive steps to lift the embargo imposed last February 25 when hoof and mouth disease was confirmed. Premature leakage regarding the steps contemplated by the Department of Agriculture could upset these plans. The embargo stopped meat and livestock exports to the U.S. worth $100-135 million per annum. By internal adjustments and price support, plus a triangular deal involving the U.K. and New Zealand, it has been possible to avoid serious difficulty but reopening the U.S. border would be welcomed economically. The matter is of political significance and especially so to Minister of Agriculture Gardiner, who has been personally criticised for his part in coping with the initial outbreak of the disease in Canada.

[4] Reference is to a memorandum by Perkins to the Secretary of State, Nov. 1, not printed.

Tab A

Memorandum by the Officer in Charge of Commonwealth Affairs (Peterson) [5]

Canadian Attitudes

A. International Affairs

1. The Canadians are almost always with us on the major issues in NATO and in the UN (notable recent exception: Korea), in GATT, and multilateral trade matters, and in bilateral defense and economic collaboration. While they understand in theory the nature of the Soviet threat (and know what militant communism would do to their social and economic system, which remains based on private enterprise with only modest socialistic adjustments of a welfare nature), they seem to feel no immediate threat to Canadian national interests.

2. They are enjoying a boom as their country is developed and industrialized, which is a cause for pride. They are looking inward, very much as this country did in the '20's, with little real interest in international affairs.

3. Where the Canadians diverge from us, or oppose us, is chiefly in matters of execution, method and timing. The sense of urgency prevalent in Washington is not matched in Ottawa nor generally in Canada.

4. A feeling persists that the United States is awkward and hasty in its role of leadership in the Free World, inclined to be "trigger happy" and lavish in its provision of defense facilities and forces, reluctant to take time necessary to plan carefully and thus to economize.

5. The feeling of peril following the attack on Korea has practically disappeared in Canada. There is no urgency about preparations for any direct attack from Russia. Inevitable delays and frustrations in carrying out their defense program are being accepted with equanimity. The Canadians prefer to keep hemispheric defense in the planning stage rather than follow our lead in actually placing forces and facilities in position.

6. Canada, despite the buoyancy of its economy, does not feel that it can match the U.S. in the liberal or continuing provision of unrequited exports to NATO countries or other destinations calculated to support the free world. The Canadians, who pride themselves as frugal and pragmatic, want and feel they require payment for their staple exports and it is upon this firmly-held convic-

[5] Peterson was also the Department of State member of the U.S. Section, Permanent Joint Board on Defense, United States-Canada.

tion that NATO and U.S. hopes for Canadian economic aid to Europe have floundered. It is believed that the Cabinet will maintain its adamant position in the matter of economic aid.

7. The pressure of food surpluses, as consequence of excellent grain crops and the hoof and mouth embargo in the United States is not excessive and the agricultural community is a decreasingly important segment of the electorate and hense unable to force the government to finance food exports. Canada's share in the Colombo Plan is $25 million and Finance Minister Abbott last August stated his flat opposition to any increase.

8. Canada has consistently refused to accept enlarged force commitments in NATO or speed up deployment. They did accept at Lisbon [6] an additional $100 million of Mutual Aid support, but this was used chiefly to finance transfers of existing arms, built to British specifications, which are now non-standard in Canada and have been extensively shipped overseas for forces of other NATO countries.

9. Conversely, Canada could be attracted to a program of increased free transfer of military end items to NATO because this would satisfy a desire to contribute to mutual security without weakening Canada's economic underpinnings and concurrently would support the industrialization of the country and maintain its defense production base.

10. The NATO examining group at Paris is convinced of Canadian economic capability to provide increased support to NATO.

11. Canada is not likely to catch up to the average NATO country's mobilization in relation to population because conscription is one of the most serious, deep-rooted political issues between French and English Canada and in any event, the Canadians argue that their ratio of manpower to resources makes it advisable to use its resources and that the use of Canadian manpower in forces represents a waste.

12. Three statements made October 23 by Arnold Heeney, Permanent Representative of Canada to NAC, in the examination of the Canadian response to the NATO Annual Review questionnaire are significant:

(*a*) "The Government of Canada is not yet in position to give any firm figure for the expenditure it expects to make in the fiscal year 1953–1954" (e.g., no comment on defense outlays contemplated after March 13, 1953, despite NATO's urgent need to plan at least 12 months ahead).

(*b*) "On the other hand, there is no disposition to reduce the Canadian force commitments." (Canada's record is good in fulfilling

[6] Reference is to the Ninth Session of the North Atlantic Council at Lisbon, Feb. 20–25, 1952; for documentation, see vol. v, Part 1, pp. 107 ff.

its original MC 26/1 [7] commitment but she has refused to take on more: e.g., does not consider any part of the unallocated aircraft deficiency calculated at Lisbon as a Canadian obligation.)

(*c*) "In general it may be said that while the Canadian Government will take the necessary action to complete and finance its declared physical programme, it appears unlikely that the Canadian financial appropriation will exceed that for the current year."

13. Political considerations outweigh and over-ride economic considerations in formulating the Government's attitude toward defense projects, whether bilateral or multilateral. The Federal Government, in power over 17 years, is apprehensive about the coming election in view of the landslide in favor of the "outs" in the United States and in view of Liberal Party defeats on local issues, notably in the Provincial elections of New Brunswick. Taxation, prices which are irritatingly high, and the continued impediment to dollar exports and consequent dislocation of foreign trade are basic election issues. Public criticisms of waste and inefficiency in Government operations and expenditures have been chiefly directed at the defense program. A continued budgetary surplus is criticised as inflationary by the Opposition. It is believed that during this Canadian election period the Prime Minister will weigh his every action in terms of the effect upon the chances of the Liberal Party in the election. This, in absence of some international development which would result in a return of the mid-1950 feeling of urgency, probably as a practical matter precludes any possibility of an expanded Canadian defense effort or more Canadian troops for Korea.

14. The NATO Central Organization seems not to have made a serious effort to bring Canadian productive capacity into its planning to the same extent that it has with European countries. Canada has some reason to feel she is outside the NATO European circle. Some U.S. recommendations designed to correct this are now under consideration in SRE [*S/AE*?].

B. Bilateral Affairs

15. The Canadians examine with care and deliberation every request put forward by the United States regarding new or additional defense facilities. They are anxious to protect their sovereignty and are wary of long-term arrangements and fixed tenures. They consider Newfoundland compromised its sovereignty in the 99-year leases, which was a bitter pill to swallow when Newfoundland became a Canadian Province.

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[7] NATO Military Committee document, not found in Department of State or NATO Sub-Registry files.

16. There exists a decided antipathy in Ottawa toward the stationing of additional U.S. military forces in Canada during peace time, especially when they are posted in populous areas. (The Torbay base area at St. John's, Newfoundland, is a case in point.) The attempt to cover up the fact that U.S. forces are in Canada has at times involved ludicrous limitations, e.g., requests regarding the location of office space and the wearing of civilian attire rather than uniforms.

17. U.S. military forces have been circumspect and correct in Canada, are welcomed locally—especially in Newfoundland where there is an appreciable degree of support to the economy as result of defense expenditures.

18. Canadians are sensitive to bilateral pressures from the United States and resent and will reject dictation. Canadians have scant sympathy for problems with Congress and requests for Canadian action to ease Congressional problems carry little weight. There is justification, however, in the U.S. pointing out that through Marshall Plan purchases and off-shore procurement we have materially supported the Canadian economy and it is only equitable that Canada should aid the U.K. in any crisis; and that their hard-headed business attitude must give way when national security is jeopardized.

19. While there no longer exists much fear that enlarged North-South economic interchange is a forerunner of political domination (which was the issue in the Reciprocity question in 1911), there is a latent uneasiness about the extent to which U.S. capital is joining in the recent development of Canada. The idea seems to be that Wall Street is muscling in on the Canadians' birthright and they will be left as "hewers of wood". There is, for example, some criticism of the St. Lawrence Waterway as permitting Labrador iron ore to move to the States. "Why not use it here?" is a common attitude, especially among those moderately educated in economics but whose opinions, as entrepreneurs and managers, are held in respect by the rank and file.

No. 956

742.5/12-2252

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) [1]

SECRET [WASHINGTON,] December 22, 1952.

Subject: Bilateral US-Canadian Defense Problems

Participants: Mr. R.A. MacKay, Assistant Under Secretary of State for External Affairs
Mr. H. Raynor, Director, BNA

On Thursday morning (November 20) Mr. Bliss and I met with Mr. MacKay. Several members of his staff were present. I said I was sure he would admit as I did frankly that neither side at present was entirely satisfied with the way things were going in the field of defense collaboration between our two countries. I said that one major purpose of my trip to Ottawa was to attempt to get firsthand from him and other Canadians their point of view on this problem and what might be troubling them about it. We talked for some time. As a result of this conversation I got the impression that the major issue troubling the Canadians is what they regard as lack of sufficiently early and complete consultation on upcoming projects. What they really want and what I believe may be necessary to improve the situation is the establishment on some regular basis of a form of joint planning. They admitted there were difficulties in view of our decentralization of planning and their centralization in Ottawa. They also agreed that there was a problem as to the proper level on which this could be done. They said, for instance, they knew certain things were mentioned by opposite numbers of the two services at fairly low levels but that too often this type of consultation was completely ineffective because not only did it not get to External Affairs but didn't reach the top side of the Canadian military establishment.

Command is a secondary problem which while susceptible to development I feel it was not as fundamental a problem on the Canadian side as the question of joint planning.

Mr. MacKay and others stressed the Canadian feeling against additional US troops being stationed at or near populated areas such as St. John's, Newfoundland. They mentioned the same point applied to one suggested station of the new supplemental radar chain.

During the course of the conversation Mr. MacKay produced a small-size wall map of Canada with pins placed on it at every spot

[1] The meeting took place in Ottawa.

where U.S. troops were now stationed. The pins made an impressive showing.

I have mentioned the importance which I believe the Canadians attach to joint planning. In addition, my general impression reaffirmed my previous view that while the Canadians are prepared to continue to cooperate on vital questions they are going to insist upon a convincing demonstration on our part as to importance. My feeling was reenforced that to meet this general problem we need not only to work out something on joint planning but we should carefully screen all proposed Canadian requirements and not put up to the Canadians the less vital ones on the theory that to do so may prejudice our chances of securing rights which may be of the greatest importance.

No. 957

611.42/11-2452

Memorandum of Conversation, by the Secretary of State

SECRET OTTAWA, November 22, 1952.

At twelve o'clock today, Ambassador Woodward and I met, on the invitation of the Prime Minister, with the Prime Minister and the Cabinet in the Cabinet Room.

The Prime Minister opened the meeting with some gracious words of welcome, and spoke of the many years in which he had worked with President Truman and with me in our common interests. He referred first of all to matters of primary concern of the United States and Canada, referring to the St. Lawrence and to trade relations. He spoke of the great importance to Canada of going forward with the St. Lawrence development, and of maintaining and expanding their trade relations with the United States. He hoped and believed that the change of administration in the United States would not affect these matters. He said that temporary differences would not affect our pursuing fundamentally mutual interests, but that if we adopted, over a long range, basically different policies, he would be apprehensive. In regard to world policies, he again referred to our pursuing, as in the past, future closely parallel courses.

After hoping that in private life I would not be a stranger to my friends in Canada, he asked me if I had any matters that I would like to mention to the Cabinet.

After expressing my pleasure at the honor which they had conferred upon me in asking me to meet with the Cabinet, I referred to the matters specifically mentioned by the Prime Minister.

I said that the President had appreciated deeply the understanding patience which the Canadian Government had shown during our long efforts to have the St. Lawrence Waterway Agreement approved by the Congress. I said, as the President said to the Prime Minister, that I believed that such approval was highly unlikely, and that Canada was entitled to proceed by itself with the development of the Waterway, and jointly with the State of New York in the power development. He hoped that these matters could be put into final shape before the end of his Administration, but this depended upon proceedings before an independent agency, the course of which he could not predict. I said that I felt, although I had no knowledge of the subject, that the incoming Administration would also proceed sympathetically with Canada in this matter and I saw no reason for apprehension.

In regard to trade between the countries, I did not take a pessimistic view. It was proved that during the past twenty years the efforts of Democratic Administrations to liberalize our trade policies from time to time met opposition from the Republican side, although I thought the broad principles of the Trade Agreements Act had strong bipartisan support. I believed that the new Administration, when confronted with the responsibilities of power, would see the necessity of bringing its economic and commercial policies into coordination with the necessities of our common military effort, not only with Canada but through our Atlantic Community.

I then said that I should like to mention one or two other matters of current concern to me. The first related to developments in the United Nations which were illustrated by the current problems before it. I said that the emergence of voting blocks in the General Assembly had not been foreseen by the framers of the Charter. We had two recognizable voting blocs—the Latin American bloc and the Arab-Asian bloc. Together, if they were solid, they could muster thirty-three out of sixty votes. They were, of course, not always solid, but they represented a very large group of votes which strongly influenced proceedings in the General Assembly. I pointed out that the Charter was founded on two objectives. One of these I thought was a dominant one. The first, and dominant one, was the objective of collective security. The other important, though less important, was the objective of social, economic and political advancement.

It should be noted that this large block of votes contributed little or nothing to the first objective. It was primarily concerned with the second, to which should be added an undercurrent of resent-

ment arising out of past colonial relationships and economic exploitation.

The second quality of this bloc of votes was that in the precise meaning of the word, it was irresponsible. The word was not used as an epithet, but as a description of a group which advocated action, the consequences of which did not fall upon the group but fell upon others. In this sense, they would not be responsible for what they did, whereas others would be responsible. I illustrated this point by referring to the North African and South African issues, pointing out that the resolutions were introduced not in the belief that the General Assembly could or would resolve the matters referred to, but from the general propaganda effect which came from stirring up these issues. I pointed out also that these propaganda effects had a counterproductive effect upon the principal objective. The United Nations is carried by other countries in their creation of collective security.

I then said that I should like to illustrate this point again in regard to the Korean resolution. [1] Here was an undertaking which had the greatest significance in regard to collective security, where the burden was carried by a comparatively small number of countries, and primarily by the United States. These countries had agreed upon a resolution which, in the judgment of those primarily responsible, would contribute most to the bringing about of an armistice, whether now or later, under terms acceptable to the achievement of the whole purpose undertaken. It would seem to me normally that those carrying the great burden of responsibility would be expected to have the principal voice in determining what should be done. At least, their opinions should have great weight. However, this did not appear to be the case. There was a tendency now to accept the leadership of India, which had contributed nothing to the undertaking and would assume no responsibility for the result of its actions. I said that, in a word, what the Indians wished to do was to bring about an armistice by resolving the prisoner question through exchanging some prisoners now and leaving others to be disposed of by indefinite and ill-conceived procedures, to my judgment, which, brought doubt upon the whole principle that force should not be used. Those in charge of military effort, who bore the full responsibility for any misjudgment, believed that it was far too dangerous to leave this explosive question unsettled, to remove all air pressure upon the Communists and run the risk

[1] The reference is probably to a draft resolution introduced in the General Assembly by Acheson on behalf of the United States and 20 other governments. The text, U.N. doc. A/C.1/725 dated Oct. 24, is printed in Department of State *Bulletin*, Nov. 3, 1952, p. 680. For documentation on this resolution and related developments on the disputed repatriation of prisoners of war in Korea, see vol. xv, Part 1, pp. 563 ff.

of a resumption of hostilities due to a failure to abide by impossible armistice terms and under circumstances which would be militarily most disadvantageous to us.

This raised two questions: One, whether the judgment of those responsible was right, and secondly, whether others not responsible were justified in substituting their judgment for those who were responsible. It seemed to me that the latter was the question of primary importance. I did not believe that those who were encouraging and supporting the Indian effort really understood the full consequences of what they were doing, and I felt that if their actions were continued to the point of a sharp break between those who were carrying the main brunt of the effort and those who were not, the gravest results would flow both to the United Nations and to the whole future of collective security.

I then spoke of the grave problems now confronting NATO, pointing out that in May there was a great and buoyant momentum toward the integration of Germany into Western Europe, also growing in unity. The Schuman Plan, the E.D.C. Treaty, the Treaty with Germany, the plans laid at Lisbon, plans laid for other political countries looking toward greater unification, all opened up a vista of hope and promise which could enlist the enthusiasm of European youth. All of this seemed to me to be now changed. The momentum had been lost or retrograded momentum was taking place. *Rapprochement* between France and Germany seemed more remote than ever. Our plans for European defense had been checked, and instead there was a growing uneasiness at the effort involved. I was full of foreboding about the future. I realized that the American election had deprived this Government for many months of an assured voice. It might be some months still before this Government could again speak with assurance. I wondered whether now was not the time for the Canadian Government, which I was sure had the same basic concerns and aspirations, to take a more vigorous and leading role. Such a role could not depend upon words alone, but upon the force of example. If Canada could come forward with a vigorous defense production program, linked with the idea of mutual aid, it could speak with real authority in urging the other countries to move forward with determination and courage. I asked that this matter be given deep thought, for we were in a most critical time.

I again expressed my appreciation at the more than kind reception which I had had in Ottawa, and specifically by the Cabinet, and after a few closing words by the Prime Minister, the meeting ended.

No. 958

S/S–NSC files, lot 63 D 351, NSC 139 Series

Report to the National Security Council by the Acting Executive Secretary of the Council (Gleason) [1]

TOP SECRET WASHINGTON, [December 31, 1952.]

NSC 139

STATEMENT OF POLICY ON AN EARLY WARNING SYSTEM

The significant advances in mass destruction weapons and their carriers, and the possession of these weapons and carriers by the Soviet Union, constitute a growing threat to the United States. Without detracting from the necessity of continuing to build up retaliatory striking power, this developing threat lends increasing urgency to our efforts to strengthen our capabilities for continental defense.

The estimated time scale on which the U.S.S.R. may possess sufficient nuclear weapons to deliver heavily destructive attacks against the United States indicates that we should plan to have an effective system of air, sea, and land defenses ready no later than December 31, 1955. Such a system of defenses should include not only military measures, but also should include well organized programs of civilian defense, industrial security, and plans for rapid rehabilitation of vital facilities.

One key element in such defenses is a system of early warning against air attack. Recent technical advances make it possible, for the first time, to envisage the establishment, at acceptable costs, of an extended early warning system capable of providing three to six hours of warning of aircraft approaching the United States from any likely direction of attack. In view of the importance of such early warning to both military and civil defense measures, such an early warning system should be developed and made operational as a matter of high urgency, with as much of the system as possible to be in operation by December 31, 1954, and a target date for completion of December 31, 1955.

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[1] NSC 139 was prepared by the Department of Defense and the National Security Resources Board as directed by President Truman at the 124th meeting of the National Security Council, Oct. 14. (S/S–NSC (Miscellaneous) files, lot 66 D 95, "Record of Actions by the NSC, 1952") Attached to this report was a memorandum by Gleason and a cover sheet explaining that the report reflected the comments of the Secretary of State, the Director of Defense Mobilization, the Director for Mutual Security, and the Acting Federal Civil Defense Administrator. President Truman approved NSC 139 on Dec. 31, and directed its implementation by all appropriate departments and agencies of the U.S. Government.

The Department of Defense will undertake the task of developing, installing, and operating this early warning system. Twenty million dollars of Department of Defense funds for the present fiscal year have been made available for initial phases of this work, including accelerating the development of necessary equipment, and the establishment of several test stations in the Far North. Seventy-five million dollars are being included in the budget for the fiscal year 1954 to carry forward the early warning program. These sums should not be regarded as a limitation on the rate of progress of this work. The establishment of this early warning system should go forward as rapidly as the necessary planning, testing, field preparations, and other preliminary work can be satisfactorily accomplished, and additional financing, either from existing sources or new authorizations, should be obtained as rapidly as it can be put to use.

Continental defense programs, military and non-military, will henceforth be planned and coordinated in accordance with this policy by the agencies responsible.

No. 959

611.42321/12-3152: Telegram

The Secretary of State to the Embassy in Canada [1]

CONFIDENTIAL WASHINGTON, December 31, 1952—5:51 p. m.

133. For Bliss only. Fol is portion of Pres's Budget Message to be delivered Jan 9 [2] relating to St. Lawrence and is supplied for your info only. We will transmit copy to Can Emb informally on Jan 2 as a courtesy to Can Govt to prevent it being startled by press stories:

"The situation regarding the St. Lawrence Project is somewhat different now from what it has been. When the last Congress did not approve the 1941 Can-US Agreement calling for joint construction of both the Seaway and power phases of the project, Canada and the United States proceeded with alternate arrangements, under which the main river control works necessary for power development would be built by appropriate entities in the two countries, and Can would build the necessary additional works to provide a deep waterway between Montreal and Lake Erie on the Canadian side of the International Boundary.

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[1] Drafted by L. D. Brown and cleared by A. F. Peterson.

[2] The text of the "Annual Budget Message to the Congress: Fiscal Year 1954," transmitted to Congress on Jan. 9, 1953, and containing this quoted portion of the message, is printed in *Public Papers of the Presidents of the United States: Harry S. Truman, 1952–1953*, p. 1128.

"The alternate arrangements are well along. The IJC has approved the plans for the main dams and control structures in the International Rapids Section of the St. Lawrence River. The Province of Ontario is ready to construct the Canadian share of these works. Applications are pending before the FPC for a license to build the US share. The Govt of Can is prepared to construct the waterway. Under these circumstances, the Canadian Government has informed us that they consider it no longer practicable to revert to the 1941 Agreement.

"I believe, however, that there is still an opportunity for the US to join, as we should have long ago, in building the St. Lawrence Seaway. If the new Congress proposes practical arrangements for sharing the cost and the construction of the Seaway, I believe the Canadians will, even at this late date, admit us to partnership in the Seaway. I hope very strongly that this will be done, for it is clearly in the best interest of both countries that this important waterway along our common boundary should be built and controlled by both countries together."

Woodward under instructions from Pres will see PM first available date probably Jan 7 to express both Administration's desire to see project achieved and hope door will remain open for possible US participation in Seaway.

We understand Senator Wiley will make public statement on Jan 1 re his proposed bill for US Authority to cooperate with Can Authority in Seaway construction. His bill may be introduced opening days new Congress. [3]

ACHESON

[3] Wiley introduced his bill (S. 589) on Jan. 23, 1953. Senate Foreign Relations Subcommittee hearings on this bill were held in April and May and it was approved on June 3. The Senate Foreign Relations Committee on June 16 reported a compromise bill (S. 2150), but there was no floor action on the bill. The House Public Works Committee held hearings from June 11 to June 18, 1953, on legislation (H. J. Res. 104) similar to S. 589 and S. 2150 but took no subsequent action. For an account of Congressional action during the 1953 session on this and related legislation, see the *Congressional Quarterly Almanac*, vol. IX, 1953, pp. 411-413.

No. 960

611.42321/1-853: Telegram

The Ambassador in Canada (Woodward) to the Department of State

CONFIDENTIAL OTTAWA, January 8, 1953—2 p. m.

146. Saw PriMin this morning, giving him text three paras on St. Lawrence in President's budget message and expressing President's earnest hope Canadian Government will "leave door open" for possible future participation by US to make seaway joint project.

PriMin expressed appreciation advance notice of message and stated cabinet in agreement that if questions raised following publication message Canadian Government will make statement [1] along following lines:

"President Truman's observation in his budget message to Congress that there is still an opportunity for the US to join in building the St. Lawrence Seaway has been noted by the Canadian Government. Various other proposals by members of the Congress for US participation in the St. Lawrence Seaway have also come to the attention of the Canadian Government.

"While the Canadian Government is, of course, prepared to discuss, in appropriate circumstances, joint participation in the seaway, the demand for power in the area to be served by the international rapids power development is so urgent that the Canadian Government is most reluctant to engage in any discussion which might delay the progress of the plan now under way for the development of power in the international rapids section of the St. Lawrence River at the earliest possible moment.

"Once an entity is designated and authorized to proceed with construction of the US share of the power works, if the US wishes to put forward a specific proposal differing from that put forward by the Canadian Government for the construction of the seaway in the international section which proposal would not delay the development of power under arrangements agreed upon in the exchange of notes of June 30, 1952 and approved on October 29, 1952 by the international joint commission the Canadian Government will be prepared to discuss such a proposal.

"The Canadian Government would naturally expect the discussion to be such as not to cause any serious delay in the completion of the whole seaway."

WOODWARD

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[1] The statement that follows was made public in a noon press conference by the Prime Minister on Jan. 9. According to despatch 673 from Ottawa, Jan. 14, most Canadian editorials expressed satisfaction with the government's position. (611.42321 SL/1–1453)

No. 961

033.4211/2-1553

Memorandum of Conversation [1]

SECRET [WASHINGTON, undated.]

1. Present besides Mr. Dulles and Mr. Pearson were H. Freeman Matthews and John D. Hickerson on the American side and H. Hume Wrong and D. V. LePan on the Canadian side.

2. Mr. Dulles said that the essential difference between the policy of the previous administration and the new administration was that Eisenhower was determined not to leave the initiative in the cold war to the Soviet Union. It would be his policy to create situations which would worry the Kremlin by creating threats to Soviet influence at various points in the world.

3. The new administration desired to maintain and to improve consultation with its allies, but it was impossible for the United States to commit itself formally to consultation before taking action in every situation since such a commitment would give each of the allies a veto. Consultation would be more useful and intimate, therefore, if it were kept informal.

4. The proper way around the difficulty, Mr. Dulles thought, was to increase the amount of informal consultation and this had been one of the purposes of his recent trip to Europe. [2] He thought that political leaders there had been grateful for the way he had tried to let them know how he saw world problems and he hoped in the same way to keep leaders of the Canadian Government fully informed on an informal basis on the views and policies of the United States Government. Mr. Dulles agreed with Mr. Pearson that it would be difficult for a coalition of the democracies to conduct such a war of nerves as President Eisenhower's policy would require. Nevertheless, he hoped that the United States could rely on faith among its allies in its peaceful purposes and in its desire to seek them by sober and unprovocative means. It would be a great help if the political leaders in other countries could try to increase this fund of confidence even on occasions when it might not be possible for them to explain fully the United States plans and intentions.

5. Mr. Dulles thought that Korea was not the most critical point today; that there was little doubt that the line in Korea could be

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[1] The drafter of this memorandum has not been identified. This conversation between Dulles and Pearson took place in Washington on Feb. 15.

[2] For documentation on Secretary of State Dulles' visit to Western Europe, Jan. 31–Feb. 8, see vol. v, Part 2, pp. 1548 ff.

held, and even if the worst came to the worst and Korea had to be evacuated, consequences would not be catastrophic, although politically deplorable. The most critical point, he thought, was Indochina since if it were lost the strategic consequences would be incalculable. Moreover, the drain on France caused by the war in Indochina was perhaps the chief reason why France was holding back from ratifying the EDC Treaty. It was therefore of greatest importance that Indochina should be held and that the war there should be brought to an end. What was required was a situation which would deter the Chinese Communists from throwing their forces into the war in Korea and if possible lead to the movement of some of those forces from North China and perhaps even from Korea as protection to a threat to their security from Formosa. That was the thinking which lay behind President Eisenhower's decision to order the Seventh Fleet no longer to prevent attacks from Formosa on the mainland of China. The essential purpose of the order was to put the United States in a legal position where, if need be, it could encourage raids or feints against China as a means of preventing Chinese incursion into Indochina.

6. Mr. Dulles said that one of his problems in explaining and defending the recent decision on Formosa was to keep Senators and Congressmen in leash. He thought that in large measure he had succeeded, but when he had commented on alarmist statements made by some of the Senators, he had been met with the rejoinder that they thought their statements would contribute to the psychological warfare he was waging. In his own view, his task would be lighter without too much assistance from Congressional leaders.

7. Mr. Pearson suggested that a similar problem is created by statements made by generals and admirals. Mr. Pearson said, also, that he was rather disturbed by the way a legend seemed to be growing up that the UN command in Korea had been prevented from annihilating the enemy in 1951 by the cease-fire negotiations. As far as Pearson was aware, these negotiations had never inhibited the UN command in any operations considered militarily desirable. Mr. Dulles agreed with this view although he personally was inclined to think that it was a mistake not to have pursued the enemy farther in the spring of 1951. The decision taken was not because of any action of the United States, but purely as a result of a military appreciation at that time of the advantages and disadvantages of a further advance.

8. Mr. Dulles volunteered that he is now engaged in drafting, along with a number of Republicans in Congress, a resolution forecast by President Eisenhower in his State of the Union Message when he said he would recommend that Congress repudiate secret understandings which had permitted the enslavement of free peo-

ples. The resolution on which Mr. Dulles was working would be drafted in more exact terms. It would refer not to *secret* agreements but rather to *private* agreements in order to distinguish them from treaties or agreements which had been submitted to the Senate, nor would the agreements as such be denounced. The resolution would merely denounce distortions and misinterpretations of such agreements, particularly of the agreement made at Yalta. The resolution would not affect Soviet claims to Sakhalin and the Kurile Islands and care would be taken not to disturb the legal basis for the position of the three Western Powers in Berlin. Mr. Dulles hoped that such a careful and limited resolution as he was preparing would be adequate to satisfy Congressional opinion. He stated frankly that some such resolution had become virtually a political necessity.

9. Germany: Mr. Dulles considered that the degree to which the Soviet authorities were reducing the Eastern Zone more and more to the status of a satellite on the usual pattern was very disturbing since, although it was impossible to be sure how properly to interpret this development, the Soviets would behave in precisely this way if they were planning a military attack on Western Germany.

10. In answer to an inquiry by Mr. Pearson, Mr. Dulles said he thought that the odds on ratification of the EDC Treaty were about 60–40 in favor of ratification. Mr. Mayer in France was trying his best to appease various parties of the Opposition to the treaty by drawing up elaborate protocols which might remove their objections. In England he had recommended to Eden that the British should look for an occasion to present to France in a single and dramatic form wrapped up with a great deal of red ribbon all the various links which the United Kingdom was prepared to establish with the EDC.

11. Mr. Pearson suggested that the NATO powers could, perhaps, be of some assistance in obtaining ratification of the EDC Treaty by extending the life of the North Atlantic Treaty from 20 to 50 years. Mr. Dulles said that this idea was worth considering, but that it would require amendment of the NATO Treaty. Even if an attempt were made to get around this objection by attaching to the Treaty a protocol in which all the signatories would express their intention of not denouncing the Treaty under Article 13 for 50 years, it is probable that even such a protocol would require Senate ratification.

12. Referring again to the question of close informal consultation, Mr. Pearson remarked that he had always hoped that this could also be effected in the North Atlantic Council and hoped that Mr. Dulles would give consideration to the possibility of strengthening the role of the NATO Council by making it one of the chief instru-

ments of consultation between the United States and its principal allies.

13. Mr. Dulles said he would like to pay a visit to the Assembly of the UN if it reconvened, but would not wish his presence to give rise to a long vituperative debate. Mr. Pearson replied that now it was known that Mr. Vishinsky was returning, a good deal of vituperation was probably inevitable.

14. Mr. Dulles confirmed that the United States would not put forward any new proposals on Korea in the General Assembly but would be content to stand on the India resolution.

15. In general, Mr. Dulles hoped that the discussions of the General Assembly would be comparatively brief and routine since the new administration had not yet had time to take firm positions on all the questions which might come before the United Nations.

16. Mr. Hickerson suggested that it might be possible to resume sessions of the Assembly without a plenary meeting and possibly even without a meeting of the General Committee. Mr. Pearson thought this might be difficult but would, nevertheless, see what he could do. In any event, if an open plenary meeting became necessary, he would try to rule out-of-order any attempt by Vishinsky to deliver a propaganda tirade.

17. It was suggested that it might be possible to have a discussion of the personnel policy of the Secretary General in plenary committee without the General Assembly passing any resolution on the subject. Mr. Pearson said he would favor such a procedure, but it had rarely ever been possible in the General Assembly to dispense with a resolution.

18. Touching on the resignation of Mr. Lie, Mr. Pearson said that he hoped action to appoint a new Secretary General could be taken before the second session of the General Assembly came to an end.

19. Mr. Pearson said he thought that the United Kingdom Government's proposals for a collective approach to convertibility showed imagination and courage. Mr. Dulles stated that he had just received on February 13 the memorandum [3] outlining the United Kingdom proposals and had not yet had an opportunity to study them. Mr. Pearson assured Mr. Dulles that if the proposals commended themselves to the United States Government, and if it were decided in Washington to support them, the Canadian Government would also be willing to do its part in making them a success.

20. Mr. Pearson pointed out that an election was likely to be held in Canada some time this year and it would be disappointed if by that time all the clearances necessary from the United States in

[3] "Collective Approach to Freer Trade and Currencies", Feb. 10, not printed.

regard to the St. Lawrence Seaway project had not been secured. As soon as the Federal Power Commission had handed down a ruling favorable to the application from the State of New York, the Canadian Government would be glad to consult with the United States Government on means whereby the Seaway could become a joint undertaking between Canada and the United States provided these consultations did not involve further delays. The important thing at the moment, however, was to secure a favorable ruling from the Federal Power Commission. Mr. Dulles said that he was not fully acquainted with this subject, but asked Mr. Hickerson to take note of the representations made by Mr. Pearson.

21. In connection with Mr. St. Laurent's proposed visit to Washington, [4] Mr. Pearson said that the Prime Minister would no doubt want to discuss foreign economic and commercial policy, but that it was also possible that he would want to consider with the President the possibility of making a new agreement on principles of defense cooperation between the United States and Canada. A statement of principles on this subject had been drawn up in 1946 but circumstances had changed so materially that it should be reviewed and possibly enlarged and brought up to date.

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[4] The visit was scheduled for early spring. In a letter to Sherman Adams dated Jan. 21, 1953, Bliss mentioned a letter made public in Ottawa in which St. Laurent had congratulated President Eisenhower on his new office and had referred to the possibility of paying him a call in Washington. Bliss urged Adams to help arrange such a meeting early in the coming succession of diplomatic visits. (033.4211/2-953)

No. 962

Eisenhower Library, Eisenhower papers, Whitman file, Admin series

Secretary of State for External Affairs Pearson to the Secretary of State [1]

OTTAWA, March 24, 1953.

DEAR MR. DULLES: I should like to refer to our conversation in Washington on February 15 [2] when, among other matters, I mentioned to you the St. Lawrence Project.

The completion of the power aspect of this project is becoming increasingly urgent. Hence, I am taking the liberty of putting these views to you again at a time when, I feel certain, the United States

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[1] Delivered to Dulles by Wrong and submitted to President Eisenhower for his information in a memorandum from Dulles to the President, Apr. 1. (Eisenhower Library, Eisenhower papers, Whitman file, Admin series)

[2] See *supra*.

Administration will wish to consider all the aspects of the St. Lawrence Project.

From the Canadian viewpoint, all other major sources of hydro-electric power available in the area to be served by the power project have already been developed or are in the process of development. Even if construction of the St. Lawrence power project were to begin this spring, the work would barely be completed in time to avert a serious shortage of low-cost power which is already developing and which is expected to become acute by 1957. If the power project is not undertaken soon, this area of Canada will face a serious impairment of its industrial capacity.

You are no doubt aware that in this area are located industrial plants comprising approximately one-half of Canada's total manufacturing capacity. Many critical materials supplying the defence industries of both Canada and the United States are produced there. In the case of nickel, for example, some idea of the importance of this source of power in Canada is indicated by the fact that 90% of the free world's supply of nickel comes from the area served by the southern system of the Hydro-Electric Power Commission of Ontario.

The development of the power potential of the St. Lawrence River is thus a matter of prime importance and urgency to Canada. If Canadian economic resources are to be adequately developed to meet civilian and defence needs, the Government of Canada must arrange for the construction of this power project without delay. The Government and people of Canada would, of course, very much like to see an immediate start made on the seaway. Indeed, all the necessary legislation has been enacted and all other prerequisite steps have been taken to enable the deep waterway to be constructed either by Canada alone or under mutually agreeable arrangements by both our Governments together. The immediate development of the power works, however, would in no way prejudice whatever arrangements may be mutually agreed upon for the development of the deep waterway.

I hope that this information may be of assistance to you. May I ask that you be good enough to bring this expression of the views of the Canadian Government to the attention of the President?

Yours sincerely,

L.B. PEARSON

No. 963

Eisenhower Library, Eisenhower papers, Whitman file, Admin series

Memorandum by the President

[WASHINGTON, undated.]

MEMORANDUM FOR LEGISLATIVE MEETING, MONDAY, MARCH 30, 1953

Subject: St. Lawrence Seaway

The consensus of opinion at the Cabinet meeting on Friday was that the Administration should take a stand in favor of the St. Lawrence Seaway. The principal reasons are:

a. The Canadian Government intends to move in any event and our interests could badly suffer if we did not take some action to achieve cooperative control.

b. Unless the United States cooperates, Canada will construct the Seaway on Canadian soil, at a cost substantially in excess of the proposed United States location. This will result in increased toll costs to United States shipping.

c. The Canadians propose to construct the Seaway with a 27 foot channel, insufficient to accommodate United States shipping. The American proposal, as provided in the Wiley Bill, contemplates the authorization of a channel of greater depth, which from our point of view is most desirable for both our commercial and defense requirements.

d. The provisions of the Wiley Bill reduce the cost to the United States below any other proposal so far submitted.

e. This proposition will certainly be, sooner or later, an economic necessity. We should move on it before some emergency situation might require extraordinary expenditures.

f. The adoption of the final bill depends first on authority given to the State of New York for the construction of a power facility in cooperation with the Province of Ontario. This will probably be provided by a license granted by the Federal Power Commission, a matter now pending.

If there is general concurrence with this attitude, I should like for Senator Taft and Mr. Martin, upon leaving this conference, to announce that the Administration definitely favors the general plan described in the Wiley Bill and will support it.

D.D.E.

No. 964

S/S–NSC files, lot 63 D 351, NSC 150 Series

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Under Secretary of State (Smith) [1]

CONFIDENTIAL [WASHINGTON,] April 21, 1953.

Subject: St. Lawrence Seaway Project

It is recommended that you support the proposed N.S.C. Statement on Policy regarding the national security interests in the St. Lawrence-Great Lakes Seaway Project. [2]

It is recommended that you urge, in connection with point No. 2 of that policy, that the Federal Power Commission be informed promptly and at the highest appropriate level, of the Policy Statement so that the Commission can make a decision on the New York Power Authority's application as soon as possible.

Attached is a memorandum on the foreign policy aspects of St. Lawrence development.

[Attachment]

Paper Prepared in the Office of British Commonwealth and Northern European Affairs

[WASHINGTON, undated.]

Subject: Foreign Policy Aspects of St. Lawrence Legislation

Development of the St. Lawrence has an important bearing on U.S.-Canadian relations. The Canadian Government regards the St. Lawrence Project as the most important single facet in its relations with the United States. It regards the prompt beginning of the entire project, both power and waterway, as of great importance to the development of Canada. From the Canadian point of view the development of power is a matter of the highest priority and urgency in view of developing shortage of low-cost power in industrialized Ontario which will become acute by about 1957. The fact that this is a Canadian election year makes the problem even more acute from the Canadian point of view.

Anything done or not done by the United States Government which would have the effect of delaying the decision of the Federal Power Commission would almost certainly cause serious deterioration in our relations with Canada. As to the waterway part of the project, the Canadians, provided the power project is approved, are

[1] Drafted by Brown, cleared by Tate and Kirlin.

[2] Reference is to NSC 150/1, Document 966.

committed to proceed on their own with the construction of the necessary works to provide a 27-foot waterway from Montreal to Lake Erie. There is a strong and probably predominant feeling in Canada that they would prefer this to be an all-Canadian project. The Government has assured us, however, that following favorable action on power it would be willing to discuss with us the question of United States participation in the waterway adding the caveat that this should be done without unduly delaying the waterway. As the Wiley Bill, now before Congress, pertains only to the question of United States participation in the waterway, which this Department has long felt would be in the United States interest, it is felt that this particular piece of legislation, provided it is acted on promptly, i.e., this session, should not complicate our relations with Canada. On the other hand, other bills such as the Lehman Bill, which include provisions relating to power and which, therefore, would almost certainly delay a decision on power, contain the risk of jeopardizing our good relations.

In summary, the most important action needed to insure a continuance of our close and harmonious relations, which in the political, economic and military fields are of great importance, is prompt and favorable action by the Federal Power Commission on the New York Power Authority's application which is now before the Commission. This would remove any suspicion on the part of the Canadians that the United States Government is delaying the initiation of the power project. It will be helpful in this connection, should the Administration decide to support the Wiley Bill, to give public expression to the fact that this Bill should not in any way delay the power part of the project.

The recommendations in the N.S.C. Policy Statement are in the national interest of the U.S. Their implementation will not damage U.S.-Canadian relations. On the contrary, any effect, which the recommendations may have on the Federal Power Commission resulting in a prompt F.P.C. decision, will enhance those relations and facilitate other important negotiations with Canada.

No. 965

Eisenhower Library, Eisenhower papers, Whitman file, Admin series

The Chairman, U.S. Section, Permanent Joint Board on Defense (Henry) to the President

WASHINGTON, April 23, 1953.

MY DEAR MR. PRESIDENT: In view of the impending visit of the Prime Minister of Canada, I wish to inform you that at the last

meeting of the Board, the Chairman of the Canadian section made a strong plea on behalf of his Government that the Board reaffirm its position, taken in 1948 and 1951, that completion of the St. Lawrence waterway and power projects had a direct bearing on the defense of North America. I assured General McNaughton, Canadian Chairman, that this view, summarized in the attached memorandum, would be brought to the attention of United States authorities.

Sincerely yours,

GUY V. HENRY
Major General, U.S.A. (Ret.)

[Enclosure]

MEMORANDUM

At the meeting April 13–17, 1953, of the Permanent Joint Board on Defense, Canada–United States, the Chairman of the Canadian Section presented a submission containing views of the Government of Canada regarding the St. Lawrence Seaway and Power Project (enclosure no. 1). [1] It was suggested that the Board reaffirm its previous recommendations regarding the seaway and power developments.

The Chairman of the United States Section expressed belief that the Board's action in December 1948 and February 1951 already placed it on record as favoring early development of the St. Lawrence waterway and power projects as in the "best interests" and "vital" for joint defense of Canada and the United States. He agreed, however, to bring the views of the Canadian Section to the proper authorities in the United States.

The submission, after providing familiar background regarding unsuccessful earlier attempts to obtain Congressional approval for joint construction of the power, Ontario is ready to undertake development of its share of the power and navigation phases of the St. Lawrence project, sets forth the present position: The International Joint Commission having approved proposals for the construction of power, Ontario is ready to undertake development of its share of the power and the Canadian authorities are awaiting early and favorable action by the Federal Power Commission on an

[1] Agenda memorandum for the members of the PJBD, Apr. 2, 1953, not printed. (Eisenhower Library, Eisenhower papers, Whitman file, Admin series)

application to construct power facilities on the New York State side.

The project is considered urgent in Canada, from the standpoint of preparedness, because the Ontario area to be served by power from the St. Lawrence provides nearly half of Canada's current production of defense goods. The proportions range from 100% of jet engines to 80% of mechanical transport and 60% of electronic equipment. The area accounts for all Canadian-produced synthetic rubber, a large proportion of explosives, ammunition, ships; large percentages of nickel, copper, cobalt, and strategic non-ferrous metals, as well as major fabricating capacity for specified metals and industrial chemicals. Secondarily, it is asserted, with reference to the reciprocal procurement of defense materials which the Board has fostered, that the more limited but nonetheless real defense needs of the United States are dependent upon industrial plants in Ontario where activity and expansion may be jeopardized failing an early start in the development of power from the St. Lawrence.

The stated Canadian view is that early completion of the St. Lawrence navigation and power project has, with the passing of time, become an urgent requirement in the defense of the North American Continent.

No. 966

S/S-NSC files, lot 63 D 351, NSC 150 Series

Statement of Policy by the National Security Council [1]

[WASHINGTON,] April 23, 1953.

NSC 150/1

NATIONAL SECURITY INTERESTS IN THE ST. LAWRENCE-GREAT LAKES SEAWAY PROJECT

1. Early initiation and completion of the St. Lawrence-Great Lakes Seaway is in the interest of national security.

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[1] Attached to the source text were a cover sheet; a note by the Executive Secretary of the National Security Council, James S. Lay, Jr., dated Apr. 23, informing the Council of the President's approval of NSC 150/1; and a memorandum by Lay dated Apr. 27 announcing the declassification of this statement of policy on that date, none printed. NSC 150 was approved by the Council during its 140th meeting on Apr. 22, subject to the revision of paragraph 3. The revised statement of policy was then approved by President Eisenhower on Apr. 23 and issued as NSC 150/1. As indicated in Lay's memorandum of Apr. 27, it was then released to the press 4 days later. (S/S-NSC files, lot 63 D 351, NSC 150 Series)

2. The United States should promptly take whatever action may be appropriate to clear the way for commencement of the project, whether by Canada alone or, now or as may be later developed, by Canada and the United States jointly.

3. It is desirable that the U.S. participate in the construction of the Seaway; the extent of and limitations upon such participation to be the subject of separate determination by authority other than the National Security Council.

No. 967

033.4211/4-2453

Memorandum by the Chargé in Canada (Bliss) to the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

SECRET OTTAWA, April 24, 1953.

Subject: Development of Canadian Defense.

This paper is directed primarily to consideration of topics which might be discussed between the President and the Prime Minister on May 7. The point of departure is the latter part of Memorandum of Conversation dated April 23 [1] which summarizes views put forward by senior officials in the Department of External Affairs. From that I am going on to a broader statement of Canada's defense posture at this time and for the near future, with special reference to the priorities which should govern Canada in defense planning.

Background

Certain factors must always be taken into account in appraising Canadian capabilities in the light of military, economic and political situations:

1. The Canadian people, and hence the Canadian Government, do not share the sense of urgency of the American people and of the American Government toward creating a strong defense against Russian aggression as quickly as possible. In the Canadian view the United States is "Pearl Harbor minded." Current developments, including many apparently authoritative statements originating in the United States, have led the Canadians to believe that we are

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[1] Reference is to a report by Bliss on his conversation of Apr. 23 with Acting Under Secretary Ritchie and Assistant Under Secretary MacKay regarding matters they believed the Prime Minister would wish to raise in his scheduled meetings with President Eisenhower in Washington on May 7 and 8. A copy of this memorandum of conversation, not printed, is attached to the source text.

showing up in the drive to create strong western defenses. The Canadian sense of urgency is thus weakened further.

2. This is an election year in Canada and one of the principal election issues is the high level of defense expenditure, which takes close to half the budget. The Government is charged by its political opponents with waste and extravagance in the defense field and with failure to provide adequately for home defense. The fact that Canada has given priority to contributions of military forces to the UN in Korea and to NATO in Europe, taking a calculated risk in the field of home defense, is not understood by the general public. However, the Government is beginning to feel the political pressure and will soon have to make a better showing in the field of home defense.

3. Canada is economically strong but thinly populated and should be regarded less as a source of military manpower than as a source of economic strength for NATO in raw materials and in manufactured goods, including military end-items. In the field of military activity the Canadians wisely devote their greatest energies to development of air power, which is costly in money but economical in manpower.

4. The Canadians reacted promptly to the Korean aggression by undertaking a sizeable military contribution to the UN and to NATO and have not revised this to any material extent. The greater part of the program will be completed this year, after which it is the intention to devote more resources to home defense unless it is determined that there is a greater need elsewhere.

5. In connection with its defense buildup Canada has developed a considerable range of industrial activity for defense production and it is currently heavy. Unless a continued requirement for Canadian military end-items is found, however, defense production will soon slow down and its structure become disorganized.

For a considerable range of important reasons, therefore, Canada now finds itself at a crossroads, with its original defense effort nearing completion, with imperatives for a new orientation looming large. Hence the Prime Minister's current concern to examine the future with the President and to discuss the priorities which Canada should take into account in future planning. As indicated in the attached Memorandum of Conversation, the official mind in Ottawa is thinking in terms of three main alternatives for further Canadian effort, as between Korea, North America and Europe.

Korea

The recruitment and despatch of a Canadian Brigade to Korea and its incorporation in the Commonwealth Division were accepted by the Canadian people as necessary and desirable. Canadians are proud of the record of the 25th Brigade and the Government will undoubtedly maintain it as long as the fighting continues. The Prime Minister is looking ahead, however, to the time when fighting ceases in Korea and to the possibility of popular demand for

the withdrawal of Canadian troops. The United States of course faces the same possibility.

For some time there has been a certain volume of complaint in the United States because we are carrying the brunt of the war in Korea. If the troops of other nations are withdrawn promptly from Korea after an armistice, leaving us to carry the occupation burden alone, we might have a serious political situation at home. It would seem to me highly desirable, in the interest of UN coherence and unity, that the Commonwealth Division be expected to remain on duty in Korea along with a considerable body of American troops, and that the Canadians be expected to play their part. There would undoubtedly be some grumbling in Canada, but I cannot believe that the Government would be seriously embarrassed if the situation were properly explained.

The assumptions made by NATO military planners that the 25th Canadian Brigade, if withdrawn from Korea, would then be available for stationing in Europe, would present great difficulties in Canada. The Canadians have strongly resisted all proposals that they increase their forces in Europe and they regard the 27th Brigade as a token force without real military significance. They argue strongly that deployment of Canadian troops in Europe is uneconomical, particularly as compared with the deployment of European troops.

North American Defense

As intimated above, the Canadians have tended to postpone the development of their home defenses in favor of the NATO buildup. Their home air squadrons are equipped with obsolete aircraft and the RCAF has stripped itself of trained manpower for the squadrons in Europe. In theory there is an airborne brigade in Canada to check a surprise invasion of Canadian soil, but its personnel are scattered, the unit is seriously undermanned, and it lacks the aircraft to become operational. The Canadian naval program is at best feeble and is greatly in arrears. Canada has no organized anti-aircraft defense.

In these circumstances consideration should be given to agreement that the next Canadian priority should be the development of home defenses, in which so much needs to be done. From the viewpoint of the United States we would have to consider whether or not we would welcome such a Canadian buildup as a contribution to the defense of North America. It is clearly a NATO area, both technically and as a practical matter. If the great North American economic basis for the NATO structure is not defended we would face a sorry future in an emergency. From the military point of view, also, there may be merit in encouraging the Canadian devel-

opment of home defenses, if for no other reason than to provide a solid base for Canadian military contributions overseas. At the moment the RCAF squadrons in Europe have little behind them at home in terms of equipment or trained men. The ground troops abroad, also, however effective and self-sufficient in themselves, do not have behind them a solid structure of trained men and adequate equipment. To all intents and purposes the Canadians have no usable reserve forces, and even as training cadres they are thin. Considerable progress is being made in producing military stores for an army buildup in the event of an emergency, but even this is spotty and there are many crucial deficiencies.

As the situation stands today, the United States is almost exclusively responsible for the defense of North America, including the defense of Canada in the event of an emergency.

NATO in Europe

For some time the Canadians have prided themselves on having undertaken an important program of contributions to NATO defense in Europe, including the 27th Brigade and twelve fighter squadrons. They developed this program at an early stage of the Medium Term Defense Plan and have not changed it except for a slight increase in the number of air squadrons. They regard it as a real program, in contrast with the "paper" commitments of other countries, and insist that it will be completed in full and on time. They do not know where they will go from here in Europe and would prefer to go nowhere.

In all the NATO meetings, including the TCC, the Canadians have consistently refused to increase their land forces in Europe. Although admitting that they are capable of maintaining a division in Germany they have argued against it in terms of unnecessary expense.

In the current Council Meeting the Canadians have refused to participate further in the air buildup in Europe. In our view they could not accept any important commitment of this nature without a drastic revision of existing programs. In terms of trained airmen their organization is very thin and is subject to excessive strain to man the squadrons now in and preparing to move in Germany the next few months. [2] In terms of equipment they would have real difficulty. Canadair is already in arrears of several months with its deliveries of F-86 fighters to the UK and could not step up its production in the predictable future without taking drastic and possibly undesirable steps, such as dropping its current program of pro-

[2] A penciled notation on the source text at this point indicates that the squadrons referred to here were presently in the United Kingdom and were preparing to move to Germany in the next few months.

ducing T–36 and T–33 trainers, some of them for the United States. The company would also have to build a new plant to accommodate an extension of operations, and this would be a lengthy and costly matter. The recruiting of the necessary additional labor would present other difficulties. To sum up, the Canadians feel that the Canadair operation is presently operating at about the proper level and should be considerably expanded only in a grave emergency.

Production of the Canadian CF–100 all weather fighter is much in arrears but Canadian-built Orenda engines are in increasingly good supply and will soon be installed in F–86 fighters. Output of the CF–100 is earmarked for the home squadrons.

All of this, taken in conjunction with the apparently growing general impression that the United States and everybody else is having second thoughts about the defense structure in Europe, would make it difficult to convince the Canadians that European defense should have a high priority in their planning during the next two years.

Defense Production

Studies prepared in this Embassy and recommendations which we have made as a result, have led to the conclusion that the best way to recruit additional Canadian strength for NATO would be to develop end-item aid programs further. We believe that room could be found in the next Canadian defense budget for an increase in the mutual aid program to perhaps $500 million, assuming some corresponding decrease in other defense budget items. The Canadian defense industry will clearly be in need of additional orders in 1954 if production lines are to keep going.

The chief difficulty in realizing such a program is to determine exactly what items Canada can best produce and to find outlets for this defense production among the NATO countries in areas where such assistance is really needed. In our view a high priority should be given to a careful examination of the possibilities, with a view to proposing to Canada the development of an industry for defense production and the generation of a sufficient demand for its output to give the advantages of large-scale production and of continued operations for a sufficient period to justify the capital investment. The capital investment itself would not be a serious problem in Canada.

Conclusions

1. The Canadian 25th Brigade should remain in Korea and is not available for transfer to Europe.

2. The next phase of the Canadian defense buildup should be oriented to strengthen North American defenses.

3. Additional Canadian contributions to NATO in Europe should take the form of military end-items delivered under mutual aid.

DON C. BLISS

No. 968

411.427/5-653: Despatch

The Chargé in Canada (Bliss) to the Department of State [1]

CONFIDENTIAL
PRIORITY

OTTAWA, May 6, 1953.

No. 1136

Ref: Embassy Despatch 1111, May 1, 1953; [2] CERP Item D-5-c [3]

Subject: Canadian Retaliation Against U.S. Import Restrictions

Summary: The Canadian Government has decided to retaliate vigorously if the Simpson bill [4] or other measures curtailing Canadian exports in violation of our trade agreement commitments becomes law. U.S. economic and strategic interests may be seriously affected.

Over a period of months the Embassy has reported a growing concern in Canada over U.S. commercial policies. Last week we warned that a stage had been reached where U.S. foreign policy planning should recognize at least the possibility of developments in trade relations that would seriously affect the excellent over-all relations between our countries.

The attitude of Canadian officials has further crystallized and hardened significantly. Probable trends in U.S. trade policies and the effects upon Canada have been reviewed carefully both at the official level and in the Cabinet. Official thinking has been focused and clarified to a point where Canadian reactions to certain types of action by the United States can be forecast with assurance.

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[1] Drafted by Willoughby.

[2] Despatch 1111 was a report by Willoughby on the manner in which increasing apprehension in Canada over U.S. import restrictions had resulted in a proposal before Parliament for drastic retaliation in the form of Canadian duties on exports of nickel and asbestos to the United States. (411.427/5-153)

[3] A special or "alert" report, devoted to the subject of this memorandum, prepared in the Embassy in Ottawa as one of a series of economic reports sent to the Department of State from U.S. overseas missions under the Current Economic Reporting Program (CERP).

[4] Representative Richard M. Simpson on Mar. 30 introduced a bill (H.R. 4294) to extend the Trade Agreements Act to June 12, 1954, with added restrictions. For an account of the opposition to this bill by the Secretaries of State and Commerce on May 4 and the subsequent passage of H. R. 5495 (Public Law 215) in August extending the Reciprocal Trade Agreements Act unchanged to June 12, 1954, see the *Congressional Quarterly Almanac*, vol. IX, 1953, pp. 210-217.

Probably without exception all of the most influential officials dealing with economic policy have come to the conclusion that the time has come for Canada to take a strong stand if confronted with further violation of her trade agreements rights. We have been told categorically that the Prime Minister shares these views. C. D. Howe, number two man in the Cabinet and long an advocate of patience and tolerance in handling trade problems with the United States, has switched to the other camp. Finance Minister Abbott is known also to favor a firm stand. Chevrier, Minister of Transportation, who is usually very friendly to the United States and is seeking cooperation with respect to the St. Lawrence Seaway, none the less agrees with the view that a strong stand should be taken.

As of today it must be assumed that enactment of the Simpson bill or other similar measures substantially injuring Canada's trade would evoke prompt and vigorous retaliation. In money value the U.S. imports excluded by retaliatory action would be at least equal to the value of Canadian goods excluded from the United States. In addition, of course, there would be indirect effects disadvantageous to the United States.

It must not be thought that new restrictions against Canadian trade in violation of our trade agreement commitments can be satisfactorily offset by compensatory withdrawals of concessions by Canada and the issue isolated from other aspects of relations between the two countries. This is not the mood of the Canadians. They are now prepared for retaliation and all it implies, even though it would mean a burden on Canadian consumers.

The Canadians have come to this position after much soul-searching and with the utmost reluctance. To them it would signal the end of an era of trust and cooperation in the development of mutually advantageous trade. The influential economic policy experts feel that we may have reached a parting of the ways in trade relations between our two countries. They look upon retaliation as a step down the road to isolationism and economic conflict.

We wish to avoid being alarmist or exaggerating dangers. We of course realize that Canadian apprehensions are to a large extent based upon hypothetical fears of developments that may never occur. In our contacts with Canadian officials we do what we can to moderate their reactions. We believe it is our duty, however, to emphasize to the Department that a real threat to our over-all relations with Canada exists.

There is danger of underestimating the significance of Canadian concern over our trade policies. The essential conservatism and reticence of Canadians in expressing their feelings often misleads American observers, as does the fact that Canadian newspapers are less sensational than our own. By Canadian standards, the cover-

age by the press, the multiplicity of comments in Parliament and, even more, private conversations with influential Government officials, make it clear that beyond any doubt we are now confronted with an ominous groundswell of opinion that cannot safely be ignored. A deterioration in the harmonious over-all relations between the United States and Canada, so necessary for our economic and strategic interests, could come about much more quickly and gain momentum much more rapidly than most people realize.

DON C. BLISS

No. 969

742.13/5-453

Memorandum for the President by the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] May 6, 1953.

Subject: Visit of Canadian Prime Minister

This official visit of Mr. St. Laurent is partly for prestige purposes but mainly to establish personal contact with you in keeping with past practice and our special relationships with Canada. No specific subjects requiring decision or leading to future negotiations are expected.

The Prime Minister will seek an exchange of views regarding *foreign policy and defense*, probably taking your April 16 speech [2] as point of departure: your estimate of Soviet intentions, the threat in South East Asia, prospects in Korea and the future of NATO. The Canadians are fearful we will become overextended in Asia at the cost of Europe and NATO and will want to discuss *priorities in Defense*. We should let them know we count on their continued and enlarged support of NATO and in Korea.

The defense of North America will probably be discussed, with an estimate of the *threat of Air Attack from the North*, and need for radar installations. For political reasons the Prime Minister does not relish a large build-up of U.S. installations in Canada, will want Canadians to do more in defense of Canada, and will be worried about costs. You could *reassure him of our respect for Canadian sovereignty* and the fact that our mutual defense arrangements are always jointly agreed. From our viewpoint principles underlying our continental defense cooperation are satisfactory.

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[1] Drafted by Peterson.

[2] The "Chance for Peace" address delivered before the American Society of Newspaper Editors and broadcast to the nation over radio and television networks, is printed in Department of State *Bulletin*, Apr. 27, 1953, p. 599.

Views of the Canadian Government regarding the need to remove or lessen *obstacles to trade* will be discussed, probably with some fears voiced lest U.S. trade policy may be developing contrary to the interests of the free world in having international trade liberalized. Canada is heavily dependent upon U.S. trade.

The Prime Minister will underline the importance to Canada of making a *quick start on the power phase of the St. Lawrence*. You could mention the National Security Council's conclusion that, on the seaway phase, it would be desirable for the U.S. to participate, which we hope continues to be agreeable to Canada, provided our participation in the seaway does not delay the power works.

I have papers on subjects mentioned above should details be required in the discussions.

JOHN FOSTER DULLES

No. 970

611.42321 SL/5-753

Memorandum of Conversation, by the Deputy Assistant Secretary of State for European Affairs (Bonbright)

CONFIDENTIAL [WASHINGTON,] May 7, 1953.

Participants: Mr. Lester B. Pearson
Mr. Ignatieff, Canadian Embassy
Mr. Merchant, EUR
Mr. Bonbright, EUR

The Canadian Secretary of State for External Affairs called on Mr. Merchant this afternoon and they had a 45-minute conversation. Mr. Pearson's main points centered around (1) the St. Lawrence Waterway and (2) US trade policy.

(1) *St. Lawrence.* Mr. Pearson stressed that this was a very big issue in Canada today and, after broadly hinting that elections would be held in Canada in the first half of August, he expressed the strong hope that work could be started by that time even if it was "just a shovel full." He was very much worried lest a favorable decision by the Federal Power Commission be immediately followed by injunctions and court proceedings which would prevent work from starting and drag on interminably.

(2) *Trade Policy.* Mr. Pearson indicated that this was becoming a very real issue in Canada and a source of real concern to his government. In response to Mr. Merchant's question he stated that extension of the reciprocal trade agreement act for a year would help, as would the failure of certain restrictive proposals (i.e., the

Simpson Bill). Fundamentally however, he felt that the situation required more positive evidence that the new US Administration would fight for and carry out liberal trade policies. He said that our action with regard to cheese and dairy products had been hurtful (and in his view a violation of GATT). Canadians also feared adverse action on oats, milk, and metals (particularly lead, zinc and copper). In connection with the latter he pointed out that a number of marginal mines had been opened which would have to close down if they could not sell their products in the American market. Mr. Pearson thought that the election campaign would have a good many anti-American features reminiscent of the 1911 campaign when Sir Wilfred Laurier was defeated on the reciprocity issue. He personally wished that it might have been possible in the last two or three years for Canada and the US to have worked out a bilateral trade treaty. This was impossible now and Canada could not envisage a bilateral arrangement with us which left the British out. He spoke strongly in favor of the program presented by Mr. Butler [1] and indicated that if a convertibility fund were set up, Canada would be prepared to contribute to it. He thought that if the Butler proposals failed the British will have no choice but to draw back and concentrate their efforts on the sterling area. This would have serious repercussions not only to Canada, which needed fuller access to UK markets, but to the free world generally. He admitted that Canada was going through a period of unusual development and prosperity but felt that this was deceptive in that Canada's economic health was really dependent on others. He concluded that a memorandum on this subject was being left with the President. [2]

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[1] For documentation on the economic program presented by British Chancellor of the Exchequer Richard Butler during his visit to Washington, Mar. 4–7, see Documents 375 ff.

[2] This memorandum entitled "International Economic Problems", prepared by the Canadian Government, was handed to President Eisenhower by the Prime Minister during their conversation at the White House on May 8. The minutes of that meeting are printed *infra*. The only copy of the memorandum found is an undated draft located in Canada Embassy files, lot 63 F 87, "320 Canada-U.S., Prime Minister's Visit".

No. 971

611.42/5-953

United States Minutes of the Second Meeting Between President Eisenhower and Prime Minister St. Laurent, The White House, May 8, 1953, 3 p.m. [1]

SECRET
SLT MIN–2

Participants:

U.S.	*Canada*
President Eisenhower	Canadian Prime Minister
Secretary of State	Secretary of State for External Affairs Pearson
Secretary of Defense	Canadian Ambassador Hume Wrong
Secretary of Treasury	Mr. J. W. Pickersgill, Secretary to the Canadian Cabinet
Asst. Secretary of State Merchant	

[Here follows a brief table of contents.]

At the outset of the meeting, Governor Sherman Adams brought in and the President showed to the Prime Minister a draft of the press release [2] to be issued that afternoon by the White House reporting the Cabinet decision that morning supporting U.S. participation in the construction of the International section of the St. Lawrence Seaway. This was briefly discussed and one or two verbal changes suggested by the Prime Minister were incorporated. Governor Adams thereupon left the meeting. The President commented that the Attorney General felt that opponents' efforts to frustrate the development of power jointly by New York and Ontario would rest on a poor case on legal grounds.

The Prime Minister opened the discussion by stating that he was disturbed by threats of restrictive tendencies in trade on the part of the U.S. He referred to various actions relating to dairy products (including apparently increased strictness on the part of U.S. Government veterinarians in turning back higher numbers than in the past of dairy cattle for export to the U.S.) and said that whereas Canada had not so far been hurt badly, the signs seemed to him disturbing. He mentioned the resolution passed unanimously by the House of Commons asking him to make "further vigorous ef-

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[1] Drafted by Merchant on May 13. The minutes of the first meeting, SLT MIN–1, which took place at 12:15 p.m. on May 7, was not declassified when this volume went to press.

[2] For text of the "Special Committee's Report on St. Lawrence Seaway Project," released by the White House on May 8, see Department of State *Bulletin*, May 25, 1953, p. 753.

forts" during his visit to bring about the removal of U.S. restrictions on Canadian agricultural products.

The President then described the situation with respect to butter, pointing out the heavy purchases forced on the U.S. Government by reason of high support levels which he described as "paying for our own fool straightjacket".

The Prime Minister referred briefly to the fact that Canada also had support prices but at lower levels which served to ease seasonal fluctuations.

Secretary Pearson underlined the opening remarks of the Prime Minister, pointing out their general concern over the possible future development of U.S. trade policy. He emphasized the importance of this to Canada particularly with respect to base metals. He mentioned some support in Canada for retaliation by means of export duties on asbestos and nickel in the event U.S. import barriers were raised on lead and zinc.

Secretary Dulles interjected that the Administration hoped to defeat the Simpson Bill and extend for one year unchanged the Reciprocal Trade Agreements Act. [3]

The Prime Minister mentioned Canada's hope that the production of base metals like defense production could be kept on an even keel.

The President said that there were impulses of nationalism directed against common sense all over the world and that all must cooperate and do their best in the interests of common sense.

Secretary Dulles described briefly the post-Korea rise in world prices with the resultant speculative expansion of marginal producers and the necessity of returning to normal prices and production.

Secretary Pearson noted that Canada had not regarded expansion in its base metal production as a speculation but as in the interests of the free world's defense effort and in part, as a matter of fact, at the request of the U.S. Government.

Secretary Humphrey noted the past build-up of large stocks of some commodities by the U.K.

At this point Secretary Wilson expressed his conviction that we should move toward free trade between Canada and the U.S.

The President assured the Prime Minister that this general subject of liberalizing trade was constantly before the Cabinet and that its pursuit involved contesting the extremists at both ends of the scale.

The Prime Minister agreed and confessed to the necessity in Canada of taking certain actions which were not economically sensible such as the maintenance in production of certain gold mines

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[3] For information concerning the Simpson Bill, see footnote 4, Document 968.

which could not produce at a profit at the present price of gold but where the absence of housing facilities elsewhere made it necessary to keep the mines open. He then asked about oats and queried whether there might develop an embargo by the U.S. on the import of feed grains. On the general question of agricultural trade, the Prime Minister said he had recently noted with interest that Canada imported from the United States more agricultural goods than it exported to the United States.

When the President said that Secretary Benson should have been invited to be present, Ambassador Wrong assured him that Canadian officials were in close contact with the Department of Agriculture on all these problems.

At this point, Secretary Pearson threw out the suggestion that for handling this general area of potential difficulty, there might be merit in establishing a Joint Economic Board comparable to the Joint Defense Board. He thought the effective performance of the IJC during the forty years of its life, and that of the Defense Board, over a period of 12 years, pointed the wisdom of such an entity in the economic field. Such a board should be advisory, either government being empowered to refer matters for study and recommendation. It should not deal with tariff rates, per se. The President expressed interest in this suggestion and both Secretary Wilson and Secretary Humphrey indicated immediate reactions of definite interest.

The President then asked Secretary Dulles to take the lead in examining carefully the possible desirability of establishing a Joint Economic and Industrial Board paralleling the Joint Defense Board.

Secretary Wilson mentioned the possibility of eliminating tariff barriers with Canada completely on a product-by-product basis as examination indicated no serious damage would be done. When the President reminded him of the existence of the Most Favored Nation clauses in most of our commercial treaties, Mr. Wilson suggested with a smile the possibility of establishing a "Super-Favored Nation Clause" for Canada.

The President then remarked that the existence of our long common border required some sort of special recognition. There followed thereafter a discussion of the applicability of GATT especially in connection with its provision for the establishment of complete Customs Unions. The President again asked Secretary Dulles to take the lead in examining the possibility of establishing a Joint Board, including the identification of areas of difficulty such as the effect on immigration. [On subsequent examination, it was ascertained that the GATT also provides for free trade areas without re-

quiring participants to maintain equal tariffs against third countries.] [4]

Secretary Wilson remarked that we might have almost a duty to set an example between our two countries for the Western Europeans whom we were urging to integrate economically more and more closely.

The President remarked that if this study revealed no hidden difficulties, he would support the idea.

At this point, the Prime Minister noted that we should be careful not to give the impression that Canada and the U.S. were contemplating creating a trade union which would be exclusive and keep others out because of the importance of maintaining cooperation in these matters on a world-wide scale. He cited the reaction of the U.S. in the past to imperial preference measures.

When Secretary Humphrey raised the question of possible effects on the Commonwealth relations, the Prime Minister said that these were not so much affected. It was primarily a question of the world as a whole that he was referring to.

Secretary Pearson at this point said that a few months ago, following the Commonwealth Economic Conference and their discussion of them at the time of Mr. Butler's visit to the U.S., he had been hopeful that progress was being made on a broad front. Now he felt both Britain and Europe as a whole were becoming apprehensive and fearful that time was running out and that sufficiently rapid progress towards breaking down trade barriers was not possible.

Secretary Humphrey replied that the British proposals in general seemed a trifle premature and Secretary Dulles referred to the necessity of Britain placing in effect certain internal measures before convertibility could be successful. He said that encouraging progress was being made in this general area, reminding them that Mr. Douglas was in the U.K. at the present time as head of the U.S. Commission studying the problem of the sterling area.

Secretary Wilson referred to the underlying fear of unemployment which was instinctive in all peoples.

Secretary Dulles noted that fear of war from without is also a compelling force. He noted that from the Federalist we learn that the compelling force toward unity among the 13 colonies was fear of aggression by Spain, England or France. Similarly, the fear of aggression by the Soviet Union is serving to drive Western Europe closer and closer together. At this point, the Secretary of State excused himself from the meeting.

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[4] Brackets in the source text.

Copies of the draft communiqué were then passed to the participants and approved with minor changes. [5]

The Prime Minister handed the President's [*President his*] memorandum [6] on trade and commercial policy which the President directed be delivered to the Secretary of State with the request that the latter distribute it to other interested Cabinet members, including Secretaries Humphrey, Wilson, Weeks and Mr. Stassen. The Prime Minister also left the text of the House of Commons resolutions regarding imposts on Canadian agricultural exports. [7]

The Prime Minister spoke of tempting trade offers being made by the Russians to countries which were finding difficulties in developing markets or sources of supply in the free world. Trade liberalization was thus needed to help such countries resist the Communist bloc and make their full contribution to the defense of the free world. The President agreed that such countries had to make a living.

There then developed a discussion of the relationship of defense effort to economic capabilities, in which the President pointed out that this was a complicated and difficult problem but not beyond solution by the brains of men if there was sound leadership and a dedicated people. He pointed out that there are two inter-related periods in war, the first one being the aversion of disaster in the early phases of war and, the second, the building up of the necessary power for a counter-offensive leading to victory. The first phase required forces in being adequate to train the large body of reserves necessary in the second phase. Obviously, a balance must be struck between these two requirements, both as regards matériel and manpower.

Secretary Wilson reverted to the desirability of free trade between Canada and the U.S.

In closing the second and final meeting, the President and Prime Minister agreed that pressures which existed at all times for retrograde steps in the area of maintaining and liberalizing trade policies must be resisted and that it was a problem which in all countries required continuous effort.

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[5] For text of the approved draft, as released by the press on May 8 at the close of the meeting, see Department of State *Bulletin*, May 25, 1953, p. 752.

[6] See footnote 2, *supra*.

[7] Not further identified.

No. 972

033.4211/5–1353: Telegram

The Chargé in Canada (Willoughby) to the Department of State

SECRET PRIORITY OTTAWA, May 13, 1953—5 p. m.

248. No distribution outside Department. Re Department telegram niact 220, May 9, 1953, 5 p. m. [1] Consult reference telegram originating office for distribution within Department.

1. Preliminary reactions by key Canadian officials indicate general satisfaction St. Laurent visit. No commitments from United States expected and none inferred. Reception accorded Prime Minister by United States officials and press created favorable impression.

2. Prime Minister and other members party favorably impressed by President, especially his quick grasp and background knowledge subjects discussed. President convinced Prime Minister that administration attitudes and objectives are generally sound and substantially same as Canadian. Visit re-enforced conviction Congress is principal obstacle to policies advocated by Canada.

3. General commercial policy: Visit reassured Canadian officials somewhat as to administration attitudes but otherwise did not greatly alter the situation as reported Embassy despatch 1136, May 6 [2] and previous. Canadians no less convinced vital importance leadership by US in reducing world trade barriers and apprehensive delays will result in action by Congress prejudging general policy or leading to unfavorable reactions abroad, especially loss of momentum of British initiative.

4. Customs Union: I and several other Department officers now in BNA, together with two Canadian officials, explored in detail five years ago in greatest secrecy customs union or similar arrangement. [3] Canadian Government decided to abandon project. Since then have checked periodically with same Canadians still in key positions. Their appraisal has always been that prospects have become progressively less favorable. Under Secretary External Affairs Wilgress who also knew of project confirmed this view emphatically only few weeks ago. Pickersgill even more categoric. Our own judgment of political factors and public attitudes in Canada confirms their opinion. If detailed consideration to be given cus-

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[1] Telegram 220 briefly summarized the second meeting between President Eisenhower and Prime Minister St. Laurent on May 8 covered by the U.S. Minutes, *supra*. (611.42/5–953)

[2] Document 968.

[3] For documentation on this subject, see *Foreign Relations*, 1948, vol. IX, pp. 406–412.

toms union or similar arrangements, would welcome coming Department for consultation.

5. Super favored nation clause: Canadian Government fully committed multilateral approach to world trade problems and to minimizing this type of discrimination against countries not enjoying super favored nation rates. Canadian officials undoubtedly would point out effect would be to handicap exports such countries to United States and Canada thereby hampering efforts European and other countries to narrow dollar gap.

6. Economic Board: Canadian Government will carefully consider with open mind possibility Economic Board and may require some time to formulate firm position. Initial reaction key officials however negative. Pearson reportedly suggested Board offhandedly with thought it would serve to delay action advocated by pressure groups in cases such as current proposals for increase United States lead and zinc duties. He now believes impractical to delay Congressional action by this means and is said to regret, however [*regret he ever*] suggested Board. Howe quoted as being noncommittal. Pickersgill strongly opposed. Economic officials tend to be negative on grounds most economic problems can successfully be resolved through normal diplomatic procedures and remainder stem from Congressional attitudes and not susceptible solution by Board. Important not to refer to above views of individuals in discussions with Canadian Embassy or other Canadian officials. [4]

7. St. Lawrence: External Affairs officials stated that the Prime Minister and External Affairs Minister were convinced the President earnestly and sincerely desired to expedite the St. Lawrence project to full extent that it lay within power of the administration. They were less happy about statement issued by special Cabinet committee which seemed in their opinion to indicate an inadequate appreciation of intensity of Canadian feeling in regard to the seaway and also took what was considered a retrograde step back to pre-1941 by reintroducing the issue of construction on American side. They are not, however, inclined to take this last too seriously.

8. Defense: External Affairs officials stated that defense questions had tended to be dealt with in the general discussions on the

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[4] On May 15, Merchant, Peterson, and L.D. Brown met with Canadian Minister Pierce and Counselor of Embassy Le Pan to discuss the understandings reached on economic matters during St. Laurent's visit. The Canadians stressed their belief that Canada was committed only to studying the proposal for a Joint Economic Board, and that the talk at the White House about free trade and a customs union should be considered a completely separate matter and should not be mentioned in public. (Memorandum of conversation by L.D. Brown, May 15, 1953; 411.4231/5-1553)

military and political situation in Europe and Asia and that such a *tour d'horizon* was more or less what the Canadians had in mind. Aside from this general review the Canadians had only two specific points they had desired to make and which they believed they had made clear in the course of these conversations: (1) That in making far-ranging plans which might involve Canada the Canadians desired the United States consult and inform Canada well in advance; (2) that the question of placement of Canada's best air squadrons abroad for defense of Europe and filling of resultant gap in Canadian home defense by American forces was matter of growing political sensitivity in Canada and might require greater attention by Canada in future.

9. Canadian press generally satisfied with outcome visit. Factual coverage full and editorial coverage moderate. Embassy will report further developments.

WILLOUGHBY

No. 973

411.42/7-1653: Despatch

The Counselor of Embassy in Canada (Bliss) to the Department of State

CONFIDENTIAL OTTAWA, July 16, 1953.

No. 61

Subject: Wilgress on Economic Policy

Today I accompanied Ambassador Stuart [1] when he called on Dana Wilgress, Under Secretary of State for External Affairs, who is at present in charge of Canada's foreign relations in the absence of Mr. Pearson. What seem to me important points were developed in the conversation between Ambassador Stuart and Mr. Wilgress.

In response to the Ambassador's leading question regarding points of difference in Canadian-American relationships Wilgress stated in a forthright manner that they appear to lie in the economic field. He observed that at times in the past our defense relationships have caused concern, but at present he regards them as presenting no difficulties. In the field of economic affairs, however, Canada is increasingly concerned over what seems to be the restrictionist policy developing in the United States.

Further questioning brought out his view that American restrictions on dairy products are of no great importance and he dis-

[1] R. Douglas Stuart presented his credentials as Ambassador on July 15, succeeding Stanley Woodward who left the post on Jan. 14, 1953.

missed the recent Canadian protest as one based on principle. The prospective restrictions on oats, however, he felt would really hurt Canada. He also expressed concern over the possibility of adverse action by the United States against imports of frozen fish fillets from Newfoundland, remarking that the dollar amount involved might be considerably less than the $30 million represented by Canada's oat trade but that it would be of particular importance to the depressed population of Newfoundland and therefore a matter of political concern.

He would not say what action Canada might take in the event of restrictive action on oats and fish fillets, and it is obvious that the Government has fixed on no policy for application in that event. In his view retaliation would be unproductive, damaging to both countries, and in every way undesirable, but he admitted that political pressures in Canada might make it necessary for the Government to introduce retaliatory measures simply to show the country that "Canada will not take it lying down".

Wilgress further observed that if the United States were to introduce restrictions on oats and on fish fillets an almost inevitable result would be the emergence in Canada of a strong demand for closer trade relationships within the Commonwealth. He recalled the course of events 20 years ago when the Hawley-Smoot Tariff of 1930 led inevitably to the 1932 Commonwealth Conference in Ottawa, to the establishment of Imperial Preference and to a new set of trade relationships designed to exclude the United States. Even the passage of our reciprocal trade agreements legislation in 1934 was not enough to reverse this trend and the consequences are still with us.

In view of Wilgress' vast experience with international relationships in the economic field his words of warning in this connection must be taken seriously.

DON C. BLISS

No. 974

411.4231/7-3053

Memorandum Prepared in the Bureau of Economic Affairs [1]

CONFIDENTIAL [WASHINGTON,] July 28, 1953.

PROPOSAL FOR ESTABLISHMENT OF JOINT US-CANADA ECONOMIC COMMITTEE

During the Canadian Prime Minister's meeting with the President in May the Canadians suggested that there might be merit in establishing a Joint Economic Board. It was agreed that each side would consider this idea and the President asked the Secretary of State to take the lead in our examination.

The Canadians have submitted suggested terms of reference [2] which provide for a United States-Canada Committee on Trade Questions at Cabinet level with about four representatives from each government. The Canadian representatives would be headed by the Secretary of State for External Affairs and include the Ministers of Trade and Commerce, Finance and Agriculture. The Canadians would expect the United States to designate the Secretaries of State, Treasury, Commerce and Agriculture. Other agencies could be brought in when appropriate. The Canadian Government wants this Committee primarily to establish closer contacts with our Cabinet Officers. They feel strongly the difficulty of reaching effectively and discussing with our top policy officers economic matters of vital importance to them. A Committee below Cabinet level would not meet their purpose. They stress that economic problems are an integral, and vitally important, part of our overall international relations. The Canadians have in mind an informal Committee, meeting about twice a year to exchange views on

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[1] This memorandum was transmitted by Assistant Secretary of State for Economic Affairs Waugh to Assistant Secretary of the Treasury Overby in a letter dated July 30. (411.4231/7-3053) In identical covering letters, Waugh sent the memorandum to Samuel W. Anderson, Assistant Secretary of Commerce for International Affairs, and Romeo E. Short, Director, Foreign Agricultural Service, Department of Agriculture. The Assistant Secretaries of these agencies met on July 3 in Waugh's office and, with two suggested changes, concurred in the establishment of the joint committee as proposed in this memorandum. Merchant, in reporting this action to Dulles in a memorandum of Oct. 21, wrote that the Canadians agreed to the changes and helped the Embassy in Ottawa in the drafting of an exchange of notes. This draft was cleared in substance with the Canadian Cabinet and was ready for approval by the Secretaries of the Treasury, Agriculture, and Commerce. (411.4241/10-2153)

[2] According to a letter from Willoughby to Raynor dated Sept. 14, the first Canadian proposal was handed to Merchant in early summer. (411.4231/9-1453)

the operation of trade agreements and other trade matters, including appropriate measures to encourage the flow of trade.

Officials of the Department of State believe that we should agree to the Canadian suggestion to establish a Committee at Cabinet level, but think that the terms of reference should be broadened to cover other economic matters as well as trade, and that it would be best to specify once instead of twice a year as the normal frequency of meetings. Canada is in many ways our best friend and ally and our relations are becoming constantly closer and of greater importance to both countries. Trade between the two countries is enormous and increasing. No permanent secretariat is planned. The Committee would not make firm decisions but would make recommendations to governments.

The major benefit to be derived from such a Committee would be the better understanding by top officials of both countries of the problems and thinking of each other which would flow from a frank exchange of views.

The proposal for a United States–Canada Economic Committee has the approval of Secretary Dulles. It is believed that the creation of such a Committee will serve to mitigate to some degree the serious and growing concern among Canadians as to United States trade policies threatening their vital trade with the United States. The Prime Minister has recently written the President [3] in a serious vein on this matter and the Canadians have delivered a new strong note [4] on the subject. Hence, it is felt important that we be in a position to make a proposal of this type to the Canadians promptly. Before making a recommendation to the President, however, Secretary Dulles would welcome the suggestions of Treasury, Commerce, and Agriculture and the concurrence, if the proposal is approved by them, of his colleagues in those Departments.

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[3] This letter dated July 17, not found in Department of State files, was referred to by Stuart in telegram 12 from Ottawa, July 21, as evidence of an extraordinary Canadian concern and an unnecessary excessive pressure on the Administration. (742.00/7-2153)

[4] Note No. 470, July 18, from Wrong to Dulles concerning the possible restriction of trade with Canada in oats and groundfish fillets; printed in Department of State *Bulletin*, Aug. 24, 1953, p. 244.

No. 975

611.42/7-3053: Despatch

The Ambassador in Canada (Stuart) to the Department of State [1]

SECRET OTTAWA, July 30, 1953.

No. 108

Ref: Department's Circular Telegram 53 July 23 [2]

Subject: Canadian Attitudes Toward the United States

1. The Department's circular telegram 53 of July 23rd asks specifically for our opinion regarding Canadian attitudes toward the United States (and the present Eisenhower administration).

2. There has been no evidence of Canadian mistrust of U.S. motives underlying our policy toward Russia. Canada shares without reservation our basic opposition to Communism and all that it stands for. Such differences as exist in this field are secondary and are associated principally with divergent views as to how Communism should be dealt with in the Far East. Under certain conditions, Canada would recognize Communist China, but we do not admit this possibility. In general, the Canadian Government, influenced by Pearson, is somewhat sympathetic with Nehru's attitudes on Far Eastern questions.

3. Generally speaking, the Canadians have confidence in our intention to support our allies. Canada has contributed armed forces to Korea and to NATO and has undertaken a program of military assistance similar to ours. The scale of our economic and military aid is viewed in Canada as extraordinarily generous. In fixing their own contributions, the Canadian Government and Parliament have always calculated them carefully as a proportion of the American effort, usually at the rate of 10 per cent. The Canadians have always rejected any suggestion that their resources might be used to compensate for a reduction in American effort. If we for any reason reduce the amount of support to our Allies, the Canadian contribution will be automatically reduced accordingly.

4. The Canadians believe that the United States responsibility for leadership in the Western world is inescapable and that U.S. policy, domestic and foreign, should be framed to take into account our responsibilities as the leader in the Western world. In recent months there has been a feeling in Canada that we have not been wholly successful in this respect. Even in circles which should be familiar with our constitutional system, the difficulties of the Ad-

[1] Drafted by Bliss.

[2] See footnote 1, Document 824.

ministration in coordinating the activities of the legislative and executive branches in carrying out the Administration policies, while recognized, are not wholly accepted. The great majority of Canadians do not understand the difference between our constitutional form of Government and their Parliamentary form.

5. For some time there has been criticism of the United States for what is regarded as our failure to assume leadership in developing a freely functioning world economy. With Canada heavily dependent upon world trade, this is of vital importance. Canadian officials emphasize that trade is an inseparable part of international relations, and that military strength is dependent upon sound economic conditions generally and healthy commerce in particular.

6. U.S. import restrictions, especially those contravening international obligations, have aroused strong resentment among Government officials in recent months. The latest note from the Canadian Government on this subject warns that further restrictions would have serious implications not only for trade but for other aspects of relationships between our two countries as well.

7. I do not know what is meant by the reference to "domestic political events". The Canadians have free access to American newspaper comment on political developments in the United States and are nearly as well informed as our own people on such questions as our attitudes toward Communism, our China policy, and the Administration's relations with Congress. Of course their viewpoint is more or less detached and they are inclined to regard our controversies on these questions as emotional and possibly dangerous should they result in impulsive international action.

8. The last paragraph of the Department's telegram asks for a statement of what major factors should be considered in determining our lines of action during coming months in the light of the Canadian attitudes described above. The Canadians would like to see: (a) a clear-cut American determination to adopt and implement liberal trade policies, not only in the interest of Canadian trade but also, as a matter of principle, in support of freer multilateral trade; (b) some modification in our dogmatic attitudes toward Communist China, which Canadians feel could be more realistic; (c) further evidence that the United States will continue to consult the Canadians and take into account the Canadian viewpoint.

R. Douglas Stuart

No. 976

S/S–NSC files, lot 63 D 351, NSC 159 Series

Report to the National Security Council by the Executive Secretary (Lay) [1]

TOP SECRET
NSC 159/4

WASHINGTON, September 25, 1953.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL ON CONTINENTAL DEFENSE

[Here follow references to documents and actions of the NSC that apply to those sections of NSC 159/4 not related directly to Canada. For text of the sections omitted here, see volume II, Part 1, page 475.]

The President has this date approved the enclosed statement of policy as a guide to the respective departments and agencies in implementing their programs during FY 1954 and in developing their programs for future years, subject to the following:

(1) Before November 15, a more precise definition by the Department of Defense of the following programs and their phasing, and the identification of the portion of Defense Department effort and costs related to such defined programs:

Paragraph 15–a: Seaward extensions of the Southern Canadian early warning system
Paragraph 15–b: Fighter interceptor forces Anti-aircraft forces

(2) Before December 1, determination by the Council of the manner of financing the recommended integrated programs for continental defense in FY 1954 and future years, in proper relation to the over-all budget and taking into account FY 1955 budget submissions by the departments and agencies.

Accordingly, NSC 139 [2] is hereby superseded.

It is requested that special security precautions be observed in the handling of the enclosure and that access to it be very strictly limited on an absolute need-to-know basis.

JAMES S. LAY, JR.

[Here follow a list of persons receiving copies of the report, a table of contents, and a list of related documents.]

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[1] This report was developed by amendment of NSC 159/3 at the 163d meeting of the Council on Sept. 24 (NSC Action No. 915), with President Eisenhower presiding, and was approved by the President on Sept. 25. A summary of the action taken at the 163d meeting is in S/S–NSC (Miscellaneous) files, lot 66 D 95, "Record of Actions by the NSC, 1953".

[2] Document 958.

[Enclosure—Extracts] [3]

[WASHINGTON,] September 25, 1953.

STATEMENT OF POLICY BY THE NATIONAL SECURITY COUNCIL ON CONTINENTAL DEFENSE

. . . . . .

Agreements with Canada

12. Canadian agreement and participation on an adequate scale is essential to any effective continental defense system. Although machinery for reaching and implementing agreements exists, the Canadian government should at once be approached at the highest levels in order to establish a common appreciation of the urgency and character of the threat to U.S.-Canadian security and the measures required to meet it. Exploration should be made of the extent to which Canada may wish to take leadership in developing parts of the system and in contributing to its expense.

. . . . . .

Specific Programs (There is no significance in the order of listing within subparagraphs.)

15. *a.* The following programs should be completed with all possible speed:

Southern Canadian early warning system and seaward extensions thereof. (para. 16–*a* below)
Extension to seaward of contiguous radar coverage. (para. 17 below)
Methods of aircraft identification. (para. 17 below)

. . . . . .

b. The following programs should be developed to a high state of readiness over the next two years (and, in the case of fighter interceptor and anti-aircraft forces, be further strengthened and kept effective in ensuing years in phase with the other military programs in 15–*a* and *b*, and with developing Soviet capabilities):

Northern Canadian early warning line, if proved feasible by project CORRODE and the Canada–U.S. Military Study Group. (para. 16–*b* below)
Air control system, converting as rapidly as possible to semi-automatic control centers. (para. 17 below)
Gap-filler radars for low altitude surveillance. (para. 17 below)

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[3] The sections that precede and follow the extracts printed here are not directly related to Canada.

Low frequency analysis and recording (Lofar) for distant detection of submarines. (para. 17 below)

. . . . . .

Early Warning System

16. *a.* An early warning system providing a minimum of at least two hours is an immediate necessity for both military and non-military measures for continental defense. The Southern Canadian Detector Line and the Alaska and Northeast Air Control and Warning Systems should be completed as early as possible. Seaward extensions of this line to Hawaii and to the Azores should be provided, beginning with the Atlantic extension, utilizing the minimum number of ships and aircraft determined by the Joint Chiefs of Staff to be necessary to meet the threat and enemy capabilities at any given time. In planning these seaward extensions, the maximum use should be planned of these installations for other purposes such as weather reporting, search and rescue, etc., in order to eliminate program duplication.

b. A longer warning than will be afforded by installing the Southern Canadian Detector Line is presently desirable and, in view of anticipated increases in speed of aircraft, will probably be required within the next few years. If as a result of Project CORRODE and the report of the Canada–U.S. Military Study Group, the Northern Canadian Detector Line is deemed feasible, plans and preparation for its installation should be made as if the program were included in para 15–*a*. Project CORRODE should be carried forward with the greatest feasible speed.

Identification and Control Systems

17. Even with early warning, effective fighter control is impracticable without accurate means of identification and contiguous radar coverage to seaward of our coastlines. Therefore, an increase of identification capabilities, such as through the utilization of Consolan radio stations and the extension to seaward of contiguous radar coverage, should be completed with the same urgency as the provision of early warning. As the early warning aircraft identification systems and contiguous radar coverage are completed, they should be supplemented during the next two years with programs such as:

a. An air control system, utilizing the Lincoln Transition System unless a better system can be developed.

b. Low frequency analysis and recording (Lofar) for distant detection of submarines.

c. Gap-filler radars for low altitude surveillance.

. . . . . .

No. 977

742.5/10-1353

Memorandum by Outerbridge Horsey of the Office of British Commonwealth and Northern European Affairs to the Director of the Office (Raynor)

SECRET [WASHINGTON,] October 12, 1953.

Subject: Joint Canadian-American Military Study Group

I attended a meeting of the Joint Canadian-American Military Study Group (MSG) at Stewart Air Force Base, Newburgh, N.Y., on October 7–8, as State Department Observer in the U.S. Section. As you recall, MSG was set up in the process of obtaining Canadian agreement to the establishment last spring of the experimental early warning stations in the Far North (Project CORRODE). The American and Canadian sections of the MSG report to their respective Chiefs of Staff and the mandate of the Group is "to study those aspects of the North American Air Defense system in general, and the Early Warning System in particular, which are of mutual concern to Canada and the United States." We think that the real purpose of the Canadians in getting it established was to insure that joint defense matters were the subject of *joint* study before the Canadian Government was presented with a request by us for further facilities in Canada.

The October 7–8 meeting produced an interim report, copy attached, phrased in somewhat bland terms but sufficient, in the judgment of the American side, verified by informal conversations with some of the Canadians, to serve the basic purpose of adequately preparing the Canadian Government for a formal request for joint action in the next step toward the establishment of the southern Canada early warning line. This objective is among the first priority recommendations of NSC 159/4. [1]

Informal discussion with some of the Canadians indicated that it would help them in getting final governmental approval if we were now to propose as the next step a special meeting of the Permanent Joint Board on Defense, at which we could present the U.S. proposals and explore the terms and conditions under which Canada would agree to joint construction and use. An exchange of diplomatic notes would then confirm agreements so reached.

The recommendation provides for the use of so-called McGill equipment, developed in Canada and to be manufactured there—very important point in getting Canadian approval for the project

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[1] *Supra.*

as a whole. Moreover, with this system the 213 proposed stations would be unattended except for periodic servicing. They would tie into a complex system of communications which would relay warnings set up by any planes crossing the line. There was a brief presentation at the meeting by two dissenting American members of the Joint Scientific Team who advocated a "composite line" employing scanning radar, which is still in the process of development at the Lincoln Laboratory, in conjunction with the McGill equipment. They contended that their line would not cost much more, would not require many bodies to be stationed along the line to operate the system, and that their system would be much more effective than the "McGill Fence". As far as I could tell, however, there was no serious questioning by any of the Canadian or United States Service or scientific representatives present as to the wisdom of the recommendation of the Joint Scientific Team as a whole that the Canadian equipment be used.

[Attachment]

Report Prepared by the Joint Canadian-American Military Study Group

SECRET [NEWBURGH, N.Y., October 8, 1953.]

INTERIM REPORT BY THE MILITARY STUDY GROUP

The Military Study Group (MSG) under its terms of reference obtained all available information concerning the Air Defense of North America, examined the agreed Canada-United States intelligence and also the recommendations of the two Air Defense Commands as to their estimate of the facilities required to provide for an effective air defense system. The MSG was impressed by the apparent agreement between the United States and Canadian Air Defense Commands regarding the need for an early warning line based on the 55th parallel. The MSG then requested the Canada-U.S. Scientific Advisory Team (CUSSAT) to undertake an analytical study of the implication of such a line. This study was completed and CUSSAT presented an oral report of its findings. This oral report is to be followed up with a fully documented report in approximately two weeks.

As a result of CUSSAT findings and subsequent discussions the MSG considers it advisable to submit an interim report to their respective Chiefs of Staff with recommendations on the above aspect of the air defense system for North America.

Following a thorough review of all information available to the group it was determined that the amount of early warning time which will be provided by the presently programmed air defense system of the two countries is inadequate to:

a. Permit maximum utilization of the available active air defense forces;
b. Meet the needs of strategic air forces; and
c. Provide for the implementation of other military and civil defense measures.

The initial step toward correcting the above deficiencies was considered to be the installation of an early warning line across North America roughly along the 55th parallel. The principal reasons for choosing this location are as follows:

(1) The additional warning provided by such a line would materially increase the effective use of the military forces of both countries;
(2) It would be far enough south to limit enemy penetration with the object of causing false alerts;
(3) It would be far enough north to be beyond existing heavy air traffic. This would simplify the problems of identifying aircraft and increase raid recognition capability;
(4) Such a line would be logistically feasible; it would also be economical in that considerable advantage could be obtained from existing lines of communication and transportation facilities.

It was recognized that the aircraft identification function is an essential operational aspect of an effective early warning system. This has been and continues to be a major deficiency which must be resolved. However, this problem should not prejudice the installation of the line itself but should be resolved by the concurrent development of an adequate identification capability.

Another aspect of the early warning system which requires implementation before the system can be made operationally effective is the seaward extension in the Atlantic and the Pacific. This was also felt to be a problem which although requiring an early solution should not be permitted to delay the decision to go ahead with the installation of the overland portion.

A preliminary estimate of the cost of the proposed early warning line has been made by CUSSAT. Although it is not based upon field surveys, the MSG feels that the estimates indicate that the construction, operation and maintenance costs of the line appear to be reasonable in the light of the defense benefits which would accrue.

In view of the above the MSG recommends that:

There be established at the earliest practicable date a chain of aircraft detectors located across Canada generally along the 55th

parallel to form a continuous detection line between Alaska and Newfoundland. The operational requirements for this early warning line should include:

(1) A high degree of detection capability against all forms of penetration by hostile air attack;
(2) Capability of discrimination between incoming and outgoing aircraft.

No. 978

742.5/10-1353

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Acting Secretary of State [1]

TOP SECRET [WASHINGTON,] October 13, 1953.

Subject: Political-Military discussions with Canada on the world situation and continental defense.

Background:

At various times since December, 1950, we have held political-military consultations with Canada on developing world situations which might or might not lead to general war and the use of atomic weapons. It has become increasingly urgent to resume these discussions, which were last held in January 1953. Ambassador Heeney recently indicated to Mr. Arneson and Mr. Bowie that the Canadian Government would welcome renewed talks on the general world picture and particularly on our current thinking on continental defense.

The conversations in the past have revealed a remarkable similarity of views; have been without commitment on either side; and have some great advantages to the United States: (1) They have facilitated arrangements with Canada for the operations of the Strategic Air Command (SAC); (2) the discussions reveal current thinking of each country and promote the mutual confidence and trust which is necessary for the granting of consent for SAC operations in event of hostilities.

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[1] Drafted by W. L. Wight and cleared by Arneson and Savage. Jeffrey Kitchen, Deputy Director of the Executive Secretariat, through whose office this memorandum was addressed, indicated in the heading and top margin of the source text that he was routing the memorandum to the Acting Secretary and that per his conversation with Horsey, the tentative date of the conversations discussed in the memorandum would be changed to Oct. 23 because of Smith's desire to participate.

Discussion:

In addition to the above reasons, it is necessary to hold discussions devoted largely to continental defense, to prepare the ground for obtaining Canadian cooperation in carrying out NSC 159/4 (improved continental defense against air attack). [2] The Canadian attitude is that the United States may be making decisions on continental defense based on information not available to the Canadians and which directly affects Canada. We propose to correct this situation by giving the Canadians a full and frank exposition of our thinking, of our intelligence estimates, and of the studies which have been made in the United States leading up to the directive in NSC 159/4.

Participants on the United States side will be Messrs. Murphy and Matthews, Co-Chairmen, Merchant, Bowie, Arneson, Raynor, and initially at least, Admiral Radford. The Canadians have proposed Ambassador Heeney and a member of his staff, General Foulkes, Chairman of their Chiefs of Staff Committee, and a senior official from the Department of External Affairs.

October 20 or 21 has been proposed for the first session which should last approximately two hours. [3]

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[2] Document 976, paragraph 12.

[3] The meeting took place in Washington on Oct. 22. Smith, Under Secretary of State, opened the meeting with a brief reference to the continuing purpose of this series of meetings and introduced Bowie for an appraisal of Soviet action and strength since the last meeting in January.

No. 979

611.42321 SL/10-2053

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

CONFIDENTIAL [WASHINGTON,] October 20, 1953.

Subject: Canadian Request for Assistance in Expediting Handling of Anticipated Litigation re St. Lawrence Power Development

Participants: Minister of External Affairs Lester B. Pearson, Canada
Ambassador Arnold Heeney, Canadian Embassy
Mr. Douglas Le Pan, Counselor, Canadian Embassy
The Secretary
Mr. Raynor, Director. BNA

Minister of External Affairs Lester B. Pearson called on the Secretary today pursuant to a request made by the Canadian Embas-

sy. He was accompanied by Ambassador Heeney and Douglas Le Pan of the Embassy staff.

Mr. Pearson stated that he had come down from Ottawa specifically for the purpose of having this talk with the Secretary which was indicative of the importance attached by Ottawa to the matter. He stated that it was generally understood that suits would be filed on or before November 5 with respect to the license granted to New York by the Federal Power Commission. He indicated that it was the Canadian understanding that if these suits took their normal course they might well drag out so that the entire 1954 construction season would be lost.

Mr. Pearson stated that if this should prove the case it would be a severe blow to the industrial development of Ontario. . . .

He said he had a memorandum setting forth this aspect of the question which he would leave with Mr. Raynor and which he hoped would be read by those in the United States Government interested in the problem. (Following the discussion Mr. Le Pan handed this memorandum to Mr. Raynor.)

He said that furthermore from the political point of view the reaction to such an additional delay would be very adverse. He said the Canadian people would be dismayed. They would accuse the Federal Government of a lack of diligence. . . .

The Minister stressed that Canada, of course, realized it would be improper to interfere with the due process of law in this country and did not feel they were doing so. He did feel, however, it was proper for the Canadian Government to request the State Department to lend them assistance in order that the judicial process could be expedited as much as possible. He said the Ambassador had talked about this matter to Mr. Phleger and that Mr. Howe had mentioned it informally to the Attorney General recently. He requested specifically that the Department inform the Attorney General that we felt it was in the joint interest that the litigation be expedited.

The Secretary informed Mr. Pearson that the State Department would be glad to write the Attorney General setting forth the importance of taking whatever steps may be proper and feasible to expedite the process of litigation. The Secretary also added that he would speak personally to the Attorney General on the matter when he saw him at Cabinet on Friday. [1]

During the course of the conversation the Secretary mentioned that rumors were rife around the Watertown area that this project would result in raising the waters of Lake Ontario to an unprecedentedly high level. Mr. Pearson as well as Mr. Le Pan refuted this

[1] Oct. 23.

stating that it was their understanding and that the IJC had so held that the project would on the contrary improve the water level situation.

[Attachment]

Memorandum From the Canadian Government to the Department of State

St. Lawrence Power Project

The need for additional supplies of low-cost hydro-electric power in the Province of Ontario is urgent and the last remaining sources of such power available to Ontario, the St. Lawrence project, must be developed immediately if a shortage of power, which is bound to affect the economy of Canada and to impair seriously the defence programmes of both Canada and the United States, is to be avoided. The seriousness of the situation was fully demonstrated by the chairman of the Hydro-Electric Power Commission of Ontario in evidence and testimony presented to the Federal Power Commission during its hearings in December 1952. Mr. Saunders' exposition of the problem was based on the assumption that a start could be made on the construction of the St. Lawrence project in 1953. It now appears that unless special steps are taken it may be impossible to begin work on the project until the spring of 1955. Since the Federal Power Commission hearing, the situation in Ontario has deteriorated, not only because of the delay in beginning the construction of the project but also because the power needs in Ontario have already increased beyond those forecast by the Hydro-Electric Power Commission of Ontario.

2. The industries and resources of Ontario are of vital importance to the civilian economy of Canada and to the defence programmes of both Canada and the United States. Nearly half of Canada's total manufacturing capacity is located in this part of Canada served by the Hydro-Electric Power Commission of Ontario. Nearly one-half of Canada's current production of defence goods comes from this region. From plants in Ontario the Canadian armed forces receive over 80 percent of their mechanical transport and about 60 percent of their electronic and communication equipment. Plants in the area produce the jet engine, the Orenda, for use in both the CF–100 and in the Canadian-built Sabre aircraft, the F86E. The all-weather night interceptor, the CF–100, which is planned to carry out Canada's role in the joint air defence of North America, is also built there.

3. Many of the plants in Ontario which rely on ample sources of hydro-electric power export a large percentage, in some cases 100 percent, of their output to the United States. From the area served by Ontario Hydro, the United States obtains aircraft, ammunition, explosives, air frame sub-assemblies and many other items important to the defence of the United States. Practically all the electronic gear and most of the building materials which will enter into the erection of the Canada–United States early warning radar screen come from Ontario. Ontario industries supply all the nickel mined and treated in Canada and over 90 percent of the supply available to the United States. They also account for all the cobalt, calcium and platinum group metals produced and exported from Canada. These are only some of the supplies on which the United States relies to a very great extent for its defence programme.

4. Of the many factors which have led to this high degree of industrial development in Ontario, one of the most important is an abundant supply of low-cost hydro-electric power. The rapid development of the last large source of low-cost hydro-electric power in the area, the St. Lawrence project, will help to avoid any serious disruption of the economic base upon which the industries in the area are founded. It will also help to strengthen them to the benefit of both our countries and of the nations with which we are joined in our common interest.

5. The Canadian Government strongly urges, therefore, that everything possible be done to expedite the clearing away of any impediments to an early commencement of the construction of the St. Lawrence project in the national interest of both our countries and the advisers to the Canadian Government in both Washington and Ottawa have been instructed to co-operate in every appropriate manner with United States officials to this end.

[WASHINGTON,] October 20, 1953.

No. 980

411.4241/11-753

Memorandum for the President by the Acting Secretary of State

CONFIDENTIAL WASHINGTON, November 6, 1953.

Subject: United States-Canada Joint Economic and Trade Committee

During the Prime Minister's visit here last May, United States-Canadian economic and commercial relationships were discussed. The Canadians proposed the creation of a high-level joint economic

board which could discuss periodically in broad terms economic policies of mutual interest. All are now agreed on the terms of reference for the Committee, set out in a draft exchange of notes (Tab A). [1] On our side the members would be the Secretaries of State, Treasury, Agriculture, and Commerce. The Committee would normally meet once a year, either in Washington or in Ottawa. Its functions would be to consider matters affecting harmonious economic relations between the two countries and specifically to exchange information and views on matters which might adversely affect the mutually profitable high level of trade between them. The Committee could make recommendations to the two governments.

The establishment of this Committee will go a long way toward satisfying the Canadians that full consideration will be given by the United States Government to Canadian views in this field. If you approve of its constitution, it is proposed to announce its creation either during or shortly before your visit to Ottawa. [2] This timing would emphasize the Administration's concern with the problem of United States Foreign Economic Policy, particularly as it related to Canada.

At the May meeting there was also some discussion of the possibility of complete free trade between the United States and Canada. This idea presents many practical difficulties on our side and we are informed that the Canadians under present and probably foreseeable conditions would not consider it. We believe, therefore, that it is undesirable to pursue it at this time.

I shall be grateful if you will indicate your approval [3] of the creation and announcement of the Joint Economic and Trade Committee.

W. B. SMITH

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[1] Not printed. For text of the notes exchanged in Washington by Ambassador Heeney and Secretary of State Dulles on Nov. 12, see Department of State *Bulletin*, Nov. 30, 1953, p. 740.

[2] President Eisenhower was scheduled for a State visit to Ottawa on Nov. 13.

[3] President Eisenhower's initials appear at the end of the source text beside the typed notation "Approved: November 7, 1953".

No. 981

Editorial Note

On November 13–14, President Eisenhower made a State visit to Canada. Information concerning preparations for the visit and a

summary of the social events and official meetings that took place is *infra*.

No. 982

711.11 EI/11-1753: Despatch

The Counselor of Embassy in Canada (Bliss) to the Department of State

CONFIDENTIAL OTTAWA, November 17, 1953.
No. 438

Subject: Some Political Aspects of Presidential Visit to Ottawa

President Eisenhower's visit to Ottawa on November 13–14 was first mentioned as a distinct possibility when Prime Minister St. Laurent told the press in mid-September that an invitation to visit Ottawa had been extended to the President. The question was in fact raised by Canadian Ambassador Heeney in the course of his first call on Assistant to the President Sherman Adams, soon after Heeney's arrival in Washington to take up his duties. [1]

The motives of the Canadian Government in proposing such a visit were of course essentially friendly, the principal objective was to further Canadian-American relationships, and the desire to build up Canadian prestige was only a part of it. They had it in mind, however, that the Prime Minister had visited the President in May not many months after he had assumed office and they would have been disappointed, if not slightly miffed, if the President had been unable to return this visit within a reasonable time. The timing was dictated by the White House conviction that the President would be fully occupied after Congress had again convened and by the prospect that the Prime Minister would be leaving Canada for a world tour in February and March. The fact that the Canadian Parliament would reconvene on November 12 was another factor in fixing the date since it was hoped that the President could address the Parliament in Ottawa.

The President's choice of a weekend immediately following the opening of Parliament was a minor embarrassment. It meant that the Governor General [2] would not give the State Dinner which he normally does at that time, but he gladly cancelled the function this year in favor of a State Dinner for the President. It also meant that Parliament would have to meet on Saturday, when many MP's are normally out of town, but the Prime Minister had no

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[1] Heeney presented his credentials on Aug. 3.
[2] Vincent Massey.

qualms about making that arrangement, which has been done before for distinguished visitors.

Following informal White House agreement to the plan, forwarded to the Embassy through the State Department, the Ambassador and I discussed the program with the Prime Minister, who mentioned the difficulties referred to above but assured us that they could be disposed of readily. In this discussion the timing was definitely established and the general outlines of a program formulated. This was later agreed to by the President. Essential features of this plan provided for a State Dinner to be given by the Governor General, a wreath-laying ceremony at the Cenotaph, an address by the President before Parliament, an informal luncheon to be given the Prime Minister and a dinner to be given by the President at the Embassy Residence.

The Prime Minister suggested an informal meeting with the Cabinet to follow the address before Parliament, partly to avoid the necessity for a large reception at that time in order to relieve the President of such a burden. He observed that he would never again ask anybody to go through an ordeal like that of Princess Elizabeth at a Chateau Laurier reception at which 1,000 guests were presented to her during her 1952 tour of Canada. In general we endeavored to kept the official program as light as possible, and the President greatly appreciated this consideration for him. In the final plan arrangements were included for the President to have a private talk with the Prime Minister after his luncheon and with the Governor General at any time convenient to both of them.

In the course of this discussion with the Prime Minister, supplemented by other talks in External Affairs and at Government House, it was agreed that the Governor General's State Dinner and reception would be essentially official affairs at which the President would meet practically all of official Ottawa and the Lieutenant Governors of the Provinces. In connection with the two smaller functions it was also agreed that we would not make them simply smaller versions of the State Dinner but endeavor to bring in other elements important to Canadian life. Consequently, the Prime Minister invited to his luncheon, in addition to the necessary hard core of official guests, a number of leading Canadian industrialists and General Crerar, Canadian Commander during the war and now retired. Similarly, we invited to the President's dinner the Prime Ministers of Ontario and Quebec, the Governor of the Bank of Canada and the Chairman of the Ontario Hydro Electric Commission, in order to include other important personalities. These were supplemented by still others invited to the small reception after the President's dinner. The final result therefore was to bring into personal contact with the President as many Canadian officials.

business leaders and leaders in key Canadian organizations as could be managed.

In connection with the President's speech before Parliament we exchanged views at an early date with External Affairs Minister Pearson, who felt that the President's visit should have substance to serve its full purpose, that this should be implicit in his address, and that some other important matters might be discussed privately with the Prime Minister. He agreed that the President must deal with the trade problem in his speech, in view of its particular importance to Canada, despite the obvious difficulties. However, he felt that there might be merit in using the occasion to refer to the Joint Trade and Economic Board as a new approach to an old problem. Pearson also felt that something must be said about North American defenses, suggesting that it be made plain that the defense of North America is only part of our general defense effort. In the end these suggestions, supplemented by others, were incorporated in the President's speech and in the communiqué which was issued after his departure. [3]

The President's speech as finally delivered before a crowded Parliament received close attention and was interrupted by over 20 rounds of applause. The decision to include a passage in French was a particularly happy one and the President's first words in French caused a real outburst. Although most of his speech was well received, perhaps the deepest impression was made by the declaration of personal faith which he delivered without notes as an interpolation. No Canadian who heard that will ever forget the earnestness and conviction with which the President spoke.

The Prime Minister's introduction of the President was a piece of exceptionally fine writing delivered in his inimitable manner. In commenting on it afterward he told me that he was speaking to the world, not only to Canadians and Americans, and that what he wished to impress upon the world was that the United States, though the leader of the free peoples, has no desire to gain influence and does not dictate to other nations. He feels that a shining example is to be found in the relations of the United States with Canada, a small nation yet in all ways treated as an equal. It was this, he said, that he hoped he made clear.

Of course the President's speech was drafted with this in mind and it fully supported the Prime Minister's point. Senator Robertson [4] also had consulted me in advance regarding the tenor of the

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[3] For the texts of the address before the House of Commons on Nov. 14, and of the communiqué that the President and Prime Minister released at the conclusion of their meeting with the Cabinet later in the day, see Department of State *Bulletin*, Nov. 30, 1953, pp. 735–739.

[4] Speaker of the Canadian Senate.

President's speech, and was persuaded to re-draft his commentary along appropriate lines. He wanted further to put in a word for closer contacts between Parliament and Congress, a hobbyhorse he constantly rides, and I did not discourage him.

At the Cabinet meeting, the Ambassador tells me, the President covered in general terms the whole range of Canadian-American problems and the world political situation with special reference to Russia. In his comments on American policies affecting Canada the President was as reassuring as he could be and there seemed to be agreement that all of our problems can and will be worked out. No record of this meeting was kept, except possibly the notes of participants for their own information.

There is no record of any of the private talks between the President and the Governor General and the Prime Minister. However, the President observed at one point that he was greatly impressed by the Governor General and had particularly enjoyed their discussions.

DON C. BLISS

No. 983

742.5/1-1454

The Counselor of Embassy in Canada (Bliss) to the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

CONFIDENTIAL OTTAWA, January 14, 1954.

DEAR HAYDEN: Last night at a dinner given by the German Ambassador, at which Pearson was the guest of honor, there was some discussion of Dulles' policy speech of January 12 outlining our "new strategy". [1] It seemed to me that Pearson went out of his way to observe publicly, in the presence of the German Ambassador and of several South American Ambassadors, that he thought it was a fine speech and that it outlined a policy with which Canada would be in accord. At the same time he felt that it might be misunderstood in Europe, where a strategy essentially of retaliation may be interpreted as confirmation of a basic and often denied but never-

[1] The address, made before the Council on Foreign Relations, New York, N.Y., centered on the proposition that the United States, in its consideration of the most effective safeguard from Soviet aggression at home and overseas, should end its exhaustive concentration on emergency build-up of full defensive land strength and, in its place, emphasize increasing dependence on the threat of instant and massive retaliation. The address is printed in Department of State *Bulletin*, Jan. 25, 1954, p. 107.

theless genuine U.S. intention to escape responsibility for a share in defending non-Communist Europe along its existing borders. (He did not say just this but it is what he meant.) He expressed the hope that we would recognize this danger and take great pains to reassure European opinion.

Later in a private conversation he more or less repeated these observations, again insisting that we look carefully at the effect on European countries of this new policy statement. I observed that in my opinion we do indeed have a firm new policy, one aspect of which is our withdrawal of troops from Korea, although there were other factors present in that situation such that it might have been done anyway. I said that I hoped Canada would not take our action in Korea as justification for the withdrawal of Canadian troops, since the maintenance of a Canadian force in Korea is now more important than ever. Any Canadian withdrawal at this time might inspire others and lead to a dangerous disintegration of the UN forces in Korea. Canada is thus in a key position and a great deal depends on her attitude to this matter. Pearson replied that he realizes this and that Canada has no intention of withdrawing troops from Korea in the predictable future.

I am giving you two extra copies of this letter in case you wish to route them to others.

Sincerely,

DON

No. 984

742.5/3-554

The Chairman of the Joint Congressional Committee on Atomic Energy (Cole) to the Secretary of State

[WASHINGTON,] March 5, 1954.

DEAR MR. SECRETARY: As Chairman of the Joint Committee on Atomic Energy, I would appreciate a report on the status of our negotiations with Canada concerning the establishment of an early warning line for continental defense.

My inquiries into the problem of continental defense have convinced me of the critical importance of advance notice of hostile attack. In fact, I believe that the success of all our other continental defense preparations, and the success of our civil defense program as well, will hinge upon our ability to detect an enemy striking force before it reaches our borders.

I therefore deem it of the highest importance that we quickly come to an agreement with the Canadian Government on an early warning line, and then take all steps necessary to make this line operational as soon as possible.

It is my understanding that we have so far failed to reach agreement with Canada on how the responsibilities for manning and equipping such a line would be divided between the two nations.

While I have no doubt that many difficult problems are involved in these negotiations, I am frankly not now satisfied in my own mind that we are attacking them with the full sense of urgency they merit. I would accordingly be grateful to receive your assurances that we are now assigning these negotiations all possible priority, and that we are doing everything in our power to bring them to a speedy and satisfactory close.

Sincerely yours,

STERLING COLE

No. 985

742.5/3-554

The Under Secretary of State (Smith) to the Chairman of the Joint Congressional Committee on Atomic Energy (Cole) [1]

SECRET [WASHINGTON,] March 19, 1954.

DEAR MR. COLE: Reference is made to your letter dated March 5, 1954, [2] to the Secretary, the receipt of which has been acknowledged by telephone, requesting a report on our negotiations with Canada concerning the establishment of an early warning line for continental defense.

The problem of safeguarding North America against air attack has been receiving the constant attention of the Department of Defense and other appropriate agencies of this Government, with a view to determining what actions may be necessary. This Department has the responsibility, of course, only for carrying out the negotiations with Canada necessary to those parts of the program requiring Canadian cooperation. The United States Government is in close and continuous consultation with the Canadian Government on this and on all phases of defense. When the Canadian Prime Minister visited the United States in May of 1953, he explored vari-

[1] Drafted by Wight and cleared in draft by Junkerman (Department of Defense), Arneson, and Savage.

[2] *Supra.*

ous proposals with the President.[3] Again when President Eisenhower visited Ottawa in November of 1953 continental defense was foremost among the subjects discussed, and complete agreement was reached between the two governments on the need for effective measures against air attack.[4] Since that time I have been giving this matter my close personal attention in various stages of discussion with the Canadians.

The cooperation received from the Canadian Government has been prompt and effective. Action has already been initiated by the Royal Canadian Air Force and by the United States Air Force, which are the agencies of the two governments charged with the responsibility of carrying out the necessary construction and operation of a sub-Arctic early warning line. Aerial photographic surveys and, in sections where weather has permitted, ground surveys as well, of the line have almost been completed and studies are proceeding with all priority to select the necessary types of equipment and communications. I believe that all aspects of this important project are going forward with the sense of urgency which they merit, and with all practicable dispatch consistent with orderly planning and sound administration. Many technical problems have been encountered in the development of this project, owing to the difficulties of terrain and weather in the area. Both the United States Air Force and the Royal Canadian Air Force are expediting their work to solve these problems, recognizing that sound decisions must be reached prior to the physical establishment of the system, if it is to operate properly.

In addition, joint studies by the military services of the two countries are being pressed forward with respect to a proposed more distant early warning line, as well as of all other phases of defense against air attack. Experimental stations have been established in Alaska and the Canadian Arctic and tests are now going forward. Should these experiments determine that the project is feasible and should the decision be made to carry it out, this Department will initiate the necessary negotiations with Canada.

I am sure you are already familiar with the extensive radar installations in Canada which have been compeleted or are in the process of construction, under previous agreements with the Canadian Government.

I shall appreciate it if you will maintain confidential the information in this letter, in view of the need for security and in the light of our continuing discussions with the Canadians. You may be

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[3] For documentation on the Prime Minister's visit to Washington and talks with the President, see Documents 969 ff.

[4] Regarding President Eisenhower's visit to Ottawa Nov. 13–14, see Document 982.

certain that the Governments of the United States and of Canada share a common appreciation of the necessity and importance of taking necessary measures for continental defense. In so far as the responsibilities of this Department are concerned, I can assure you that our negotiations with Canada on this matter will continue to receive the high priority which they deserve.

Sincerely,

WALTER B. SMITH

No. 986

742.5/3-2354

The Chairman of the Joint Congressional Committee on Atomic Energy (Cole) to the Under Secretary of State (Smith)

PERSONAL AND CONFIDENTIAL

[WASHINGTON,] March 23, 1954.

DEAR MR. SMITH: This will acknowledge your letter of March 19 [1] in reply to my letter of March 5th [2] requesting a report on our negotiations with Canada concerning establishment of an early warning line for continental defense.

While I appreciate having your prompt reply I confess I am not at all heartened by its contents. Although it is of some gratification to know that the matter of continental defense by joint action of Canada and the United States is under consideration, in spite of your assurances that this project is moving forward with the sense of urgency it merits, it is my belief is not receiving the high degree of priority and urgency which must be given to it.

I think we can or should agree (1) that the common defense requires that there be in being an organization which will be as effective against an aerial nuclear attack as science and our resources will permit; (2) that there can be no effective measures for the defense of the United States without full and active participation of Canada; (3) that there cannot be an adequate defense of Canada without the full participation of the United States; (4) that such organization must be one which is operating as a unit and not one operated independently or concurrently by the two countries; (5) that considerable time will be required to activate such an organization even after an agreement is made and finally, which is the heart of my thesis; (6) that no such organization can be created

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[1] *Supra.*

[2] Document 984.

without a basic agreement between those two countries providing for such an organization.

It occurs to me that the problem is such as to merit an approach by way of a mutal defense pact with Canada, under authority of the UN, comparable in purpose and organization with the North Atlantic Treaty Organization.

This matter has been under study by our respective countries for over two years and yet nothing of substance has been accomplished. The responsibilities which are imposed upon both the Executive and Legislative Branches of Government to provide for the common defense of our country coupled with the horrible consequences which might result from failure to fulfill those responsibilities promptly, aggressively, and effectively are so commanding that I again, recognizing that it is within the area of responsibility imposed upon the Executive Department by the Constitution, urge in the strongest language possible that the project be pressed with the greatest degree of vigor and sense of urgency.

Although your letter of the 19th is classified as "Secret" and in spite of your admonition in the letter that its contents be maintained as confidential, I must insist upon retaining a degree of freedom of action in this matter which the circumstances may appear to warrant without, of course, making any specific reference to your comments. [3]

Sincerely yours,

STERLING COLE

[3] In a memorandum to Under Secretary of State Smith, dated Apr. 2, Merchant recommended that Smith reply orally to Cole, 1) assuring him of the Department's great interest in the matter but explaining that its responsibilities were limited to negotiating on continental defense proposals, 2) informing him that present machinery for negotiation was effective, and 3) assuring him that Canada had cooperated fully. (742.5/4-254)

No. 987

611.42/3-2554

The Ambassador in Canada (Stuart) to the Under Secretary of State (Smith)

OTTAWA, March 25, 1954.

DEAR GENERAL: I enjoyed my visit when in Washington last week with the Canadian Delegation. [1] All the Canadian Ministers were

[1] Several Canadian Cabinet Ministers including the Foreign Minister were in Washington on Mar. 16 for a brief, informal, and unpublicized visit. No other record of this visit has been found in Department of State files.

enthusiastic, saying it was the best meeting of the kind they had ever attended. I returned to Ottawa on the plane with them and they were quite exhilarated. They came away with the feeling it was our intention to treat them as full partners and give them every consideration in working out our mutual problems in a perfectly fair, frank straightforward way.

As you probably know, Lester Pearson dined with the Secretary Tuesday evening. Mr. Pearson was delighted and came away feeling that they had arrived at a basis of understanding that would bear fruit in future international negotiations.

I had lunch with Mr. Pearson yesterday, and I am perfectly positive that there has been no change in the thinking of the Canadian Government as regards the recognition of Communist China. He, Pearson, said that he thought it was a mistake, particularly in diplomacy, for any country to state that never would it do this, that, or the other thing. He is to make a speech in Parliament tomorrow, outlining foreign policy. He will be followed by the Prime Minister, who I think will deal more specifically with the problems of the Far East, detailing to the Parliament the conclusions that he has drawn as a result of his recent tour.

You will recall that on our last visit I discussed with you the visit of the Governor General to Washington. I spoke to the Secretary about having a luncheon for the Governor General on the Tuesday following the President's dinner at the White House in his honor. I also indicated to him, and I think I did to you—I certainly did to Sherman Adams—that the Governor General would be highly pleased if he were given an opportunity to address the Congress of the United States. One or two other Governors General of Canada have spoken to the Congress and recently, of course, the Turkish President has addressed the Congress. I hope very much that this can be arranged for I feel that Canada, in the world in which we are living today, is much more important to the United States than is Turkey. I may say that if he is invited to address the Congress he will do a darn good job. He speaks very well and anything he says will be worth listening to. [2]

I am writing to Livingston Merchant telling him about my conversation with "Mike" Pearson, and also reminding him of the Governor General's visit.

I think you are aware of the fact that there is a feeling that when the Prime Minister visited Washington last spring there wasn't quite enough attention shown him. I don't think he himself

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[2] For the text of Massey's address before a joint session of Congress on May 4, reprinted from the *Congressional Record* of the same date, see Department of State *Bulletin*, May 17, 1954, p. 762.

cared, but I do hope the red carpet will be pulled out for the Governor General.

With best wishes.

Yours sincerely,

DOUG STUART

No. 988

Editorial Note

On April 8 at 2:30 p.m., the Secretary of Defense and the Canadian Foreign Minister released a joint statement on continental defense describing the cooperative efforts of the two countries in the development of the "Pinetree" chain of radar stations across southern Canada and a more northern radar chain to screen northern Canada as well as the northeastern and northwestern seaward approaches to North America. The release also referred to cooperative efforts to protect major target areas and stressed the point that all measures to defend North America were an integral part of the larger effort under the North Atlantic Treaty to preserve peace and defend freedom. For text, see Department of State *Bulletin*, April 26, 1954, pages 639–640.

No. 989

Canadian Desk files, lot 69 D 302, "Canada—Continental Defense 1953–1955"

The Chairman of the Joint Congressional Committee on Atomic Energy (Cole) to the Secretary of Defense (Wilson)

[WASHINGTON,] May 7, 1954.

DEAR MR. SECRETARY: Being strongly of the opinion that our country and Canada must develop a common response to the common threat of enemy nuclear attack against the North American continent, I recently suggested in a public speech [1] that we enter into a mutual continental defense pact with Canada, under the authority of the United Nations, which would represent a continental defense equivalent of the NATO agreement.

My thought was that such a pact would establish a North American Continental Defense Organization, to which Army, Navy, and Air Force units from our two nations with continental defense re-

[1] A brief comment on this speech, made at Colgate University on Apr. 29, is in the *New York Times*, Apr. 30, 1954.

sponsibilities would be assigned in a manner akin to the land, sea, and air forces now reporting to SHAPE headquarters. My further thought was that such an organization would be headed by a Supreme Commander, whose responsibility and authority in the field of continental defense would parallel those now exercised by General Gruenther in his capacity of Supreme Commander of the Allied Powers in Europe.

In other words, it is my conviction that an adequate continental defense for our two nations requires a measure of cooperation and unity of organization extending well beyond that envisaged under existing arrangements.

Without such unity of command, I frankly do not believe our two countries can exploit all possibilities for creating an effective continental defense. I believe this applies particularly to those programs required not only to detect, but also to intercept and repel, approaching aerial formations long before they reach the cities of Canada or the United States.

I will be most appreciative if you could send me a statement on your views concerning the desirability, from the standpoint of the Department of Defense, of entering into a pact and creating such an organization as I have outlined above.

I know I will profit greatly from your considered judgment on this matter.

Sincerely yours,

STERLING COLE

No. 990

Canadian Desk files, lot 69 D 302, "Canada—Continental Defense 1953-1955"

The Canadian Minister of National Defense (Claxton) to the Secretary of Defense (Wilson)

OTTAWA, May 12, 1954.

DEAR MR. SECRETARY: In a speech at Colgate University on April 29, 1954, Representative Cole made an important contribution to public understanding of some aspects of continental defence.

There are parts of this speech, however, which should be read against the background of the experience of the governments and armed forces of Canada and the United States.

The subject of continental defence against new means and methods of attack on North America has been under intense and urgent consideration at every level of those responsible in our two coun-

tries throughout the whole period beginning even before the end of the Second World War.

In the course of this there has not been an important point on which the representatives of the United States and Canada have failed to reach agreement.

In fact, the working agreement for the close cooperation of our forces has been closer and more effective than that ever achieved between any two countries.

This has been repeatedly emphasized by leaders in Canada and the United States. The most recent expressions of this agreement were contained in the President's statement on his visit here in November, 1953, [1] and in the joint statement issued in both countries on April 8, 1954. [2]

This has been the subject of intense, urgent and continuous consideration between yourself and your colleagues and their predecessors and myself, as well as between the Chiefs of Staff and the Commanding Officers of the various services and commands in Canada and the United States.

In this speech Mr. Cole made some suggestions regarding matters which are within the scope of the authority of yourself and others responsible for defence policy in your country.

Any suggestion that might be made by your government would, of course, receive the most serious consideration of the Canadian government.

There is another point, however, in his speech to which I should make express reference.

In his speech he said, "Negotiations with the Canadian government on the subject of where, how and by whom the first of such early warning lines would be built and operated have been in progress for nearly two years." I feel that on this you will agree that there have been no negotiations between our two countries which "have been in progress for nearly two years." What have been under way are studies by a number of different agencies in the United States, in Canada, and jointly, with a view to determining what further development of our continental defence system is required and how this can best be carried out.

There has been no delay in negotiation of any kind for which the government or services of either the United States or Canada could in any sense be held responsible.

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[1] Reference is to President Eisenhower's address before the Canadian Parliament on Nov. 14; see Document 982.

[2] See Document 988.

Any misunderstanding on this point will only add to confusion, misunderstanding and difficulties in the way of working together as we have done in the past.

If Mr. Cole, or anyone else, has any reports of such a delay in negotiations for which we on our side are in any sense responsible, I would be only too glad to learn what they are so that any misinformation or misapprehension may be corrected in the light of the facts. [3]

Yours sincerely,

BROOKE CLAXTON

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[3] Wilson answered this letter on June 30, assuring Claxton that the United States would give most careful consideration to any defense proposals put forward by Canada, and affirming his confidence that officials of the two governments, at all levels, would continue their close coordination on efforts to make more effective the defense of the North American continent. (Canadian Desk files, lot 69 D 302, "Canada—Continental Defense 1953–1955")

No. 991

Editorial Note

On May 13 President Eisenhower signed the St. Lawrence Seaway Bill (S. 2150, P.L. 358), an act "providing for creation of the Saint Lawrence Seaway Development Corporation to construct part of the Saint Lawrence Seaway in United States territory in the interest of national security; authorizing the Corporation to consummate certain arrangements with the Saint Lawrence Seaway Authority of Canada relative to construction and operation of the Seaway; empowering the Corporation to finance the United States share of the Seaway cost on a self-liquidating basis; to establish cooperation with Canada in the control and operation of the Saint Lawrence Seaway; to authorize negotiations with Canada of an agreement on tolls; and for other purposes". For text, see 68 Stat. (pt. 1) 92. The remarks made at the White House on this occasion by President Eisenhower; Senator Alexander Wiley, Chairman of the Senate Foreign Relations Committee; and Representative George A. Dondero, Chairman of the House Committee on Public Works, are printed in Department of State *Bulletin*, May 24, 1954, page 796. This law was subsequently referred to as the Wiley or Wiley-Dondero Bill or Act.

No. 992

742.5/6-354

Report by the Canada–United States Military Study Group [1]

SECRET [WASHINGTON, June 3, 1954.]

THIRD INTERIM REPORT [2]

1. The Canada–U.S. Military Study Group has, under its terms of reference, examined the general requirement for early warning in the defense of North America against air attack. While this examination has not been completed, it is apparent that a segment of a distant early warning system, located generally in the more northern regions of North America, is necessary if the development of the Air Defense System is to be kept abreast of anticipated improvements in Soviet capabilities to attack by air the vital areas of Canada and the United States.

2. After due consideration of current agreed intelligence estimates, a preliminary report on Project 572, [3] and studies by the Canada–U.S. Scientific Advisory Team, the Canada–U.S. Military Study Group considers it advisable to submit a Third Interim Report, with recommendations on the above aspect of the Air Defense System for North America.

3. A review of intelligence reveals that by the time such a segment could be installed the USSR could have available numbers of aircraft of such advanced performance that a line as far north as practicable is essential to provide the required warning time. It should be noted, however, that the value of the land-based segment of the line is directly related to the effectiveness with which it is extended to cover flanking approach routes.

4. Therefore, to maintain the required warning to vital areas, a distant early warning line across the more northern portions of North America is considered necessary to:

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[1] This group, generally referred to as the MSG, is described earlier under the name Joint Canadian-American Military Study Group, in Document 977.

[2] The first interim report of the MSG is presumably the report attached to Document 977. The second interim report has not been identified in Department of State files.

[3] Project 572 created the Canada–U.S. Military Study Group (MSG) and authorized a research and development program known originally as Project CORRODE, involving development of systems of detection and communication together with route surveys for the Distant Early Warning System. The project developed out of an exchange of notes dated Jan. 30, Feb. 27, and May 19, 1953. It was not considered a formal agreement by the United States although Canada treated it as such under its definition of how large-scale and long-term a project must be to qualify as an agreement. (Letter from Barton to Nugent, Mar. 17, 1955; Canadian Desk files, lot 69 D 302, "Canada—List of Agreements with Canada")

a. Meet the warning needs of the Strategic Air Command.
b. Permit more effective employment of forces in active air defense.
c. Provide for the timely implementation of other military and civil defensive measures.

5. It is stressed that the mid-Canada Line will continue to be essential for providing the minimum amount of warning necessary for, and adaptable to, active air defense.

6. In view of the many problems which are inherent in the establishment of an early warning line in the Arctic and the time required for their resolution, the Canada–U.S. Military Study Group considers that inter-governmental agreement in principle on the requirement for such a line should be reached at an early date in order that appropriate system studies may be initiated.

7. The Canada–U.S. Military Study Group therefore recommends that:

a. The two Governments agree in principle to the need for the establishment of a distant early warning line across the most northerly practicable part of North America.
b. Mutually acceptable military characteristics for such a line be developed.
c. Appropriate systems studies be initiated for the purpose of developing detailed recommendations on the specifications, types of equipment, overall system composition, cost estimates, manpower requirements and the exact location of such a line.

"These estimates constitute a military opinion only of the desirable future strength of armed forces and equipment, and in no sense are to be construed as commitments by either country."

No. 993

611.42321 SL/6-1754: Telegram

The Ambassador in Canada (Stuart) to the Department of State

CONFIDENTIAL PRIORITY — OTTAWA, June 17, 1954—4 p.m.

174. Today received from Pearson reply [1] our June 7 note [2] Saint Lawrence seaway. Paragraph 1 refers to our suggestion that de-

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[1] Reference is to Note No. X–155, June 16, from Pearson to Stuart. A copy of the note was enclosed in despatch 1128 from Ottawa, June 22. (611.42321 SL/6–2254)

[2] On June 7, Bliss delivered Note No. 281 to Under Secretary of State MacKay in the absence of the Foreign Minister to whom it was addressed. A copy of the text of the note was enclosed in despatch 1128 cited in footnote 1 above. With the note, which he had signed on behalf of the Ambassador, Bliss conveyed a copy of the

Continued

tailed discussions take place between representatives two governments on planning and execution seaway development in both countries. Paragraph 2 refers to June 30, 1952 exchange of notes [3] making arrangements for construction by Canada of navigation works between Lake Erie and Montreal with Canadian undertaking to provide this portion of seaway predicated in sound power project. Canadian Government assumes our suggestion for discussions contemplates reexamination arrangements confirmed by exchange of notes. Paragraph 3: Canadian Government prepared discuss this matter provided discussions do not delay either power project or seaway as indicated Prime Minister memo January 9, 1953 [4] and statement in Parliament May 6, 1954. Paragraph 4: Pearson suggests meeting officials Ottawa week of June 28 which might prepare list specific topics as basis subsequent intergovernmental discussions.

Bliss in long discussion with MacKay, Cote and Cox obtained following clarifications of Canadian views:

1. Canada does not accept our June 7 note as representing "specific proposal" referred to in Prime Minister memo. Wiley bill essentially US domestic matter. International aspect of problem at present governed by June 30 exchange of notes which represents latest intergovernmental agreement and point of departure for further negotiations.

2. Reference in Wiley bill to 1941 joint report [5] suggests US intention deal at this time only with Saint Lawrence section of seaway and understanding necessary on balance that plan. June 30 exchange of notes obviously must be abrogated to meet new conditions, but Canadians unwilling abandon that agreement on basis our note only. IJC report [6] must be textually modified in some respects. New legislation may be required to adjust Canadian Saint Lawrence authority.

3. These situations render necessary basic political decisions and what amounts to re-negotiation of existing agreements and arrangements on the basis of specific US proposals which not yet forthcoming. Cote observed $30 million at stake which suggests in-

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Wiley Bill. (See Document 991.) He told MacKay that this formal delivery of the Wiley Bill was made possible by the Supreme Court's recent rejection of legal actions directed against the St. Lawrence Power Project. A letter from Bliss to Horsey dated June 7, summarizing his conversation with MacKay, is in file 611.42321 SL/6-754.

[3] For information on this exchange of notes, see Document 944.

[4] See Document 960.

[5] Joint report of Jan. 3, 1941, by the Canadian Temporary Great Lakes-St. Lawrence Advisory Committee to the President of the United States and the Prime Minister of Canada. For text, see Department of State *Bulletin*, Mar. 22, 1941, p. 316. For information related to this report, see *Foreign Relations*, 1941, vol. III, pp. 167–168.

[6] Not further identified.

tention re-negotiate allocation of costs in June 30 notes and possibility we can expect some hard bargaining on this.

4. By persistent needling obtained categorical assurance no intention develop seaway on monopoly basis contemplated by June 30 notes. This is established government policy presumably approved by Prime Minister and cabinet. However some strong official opinion admittedly favors maintaining June 30 position.

5. MacKay not interested in early appointment our administrator and would prefer keep negotiations in government hands until political decisions made. After we have acted they can name Canadian opposite number immediately. However only indication of timing we have given suggests mid-July as earliest possible date for appointment and confirmation.

6. Official level here for June 28 talks means Wershof, Cote and representatives of Transport, Justice and Privy Council.

7. Pressure for publicity strong and Canadians indicate possible necessity table exchange notes Parliament next week. Suggest desirability identical publicity releases Ottawa and Washington that time.

STUART

No. 994

611.42321 SL/6–1854

Memorandum by the Counselor of Embassy in Canada (Bliss) to the Officer in Charge of Dominion Affairs (Horsey)

CONFIDENTIAL OTTAWA, June 18, 1954.

Subject: St. Lawrence Seaway Negotiation

My telegram No. 174 of June 17 [1] covered the St. Lawrence Seaway discussions of that day as completely as I could have managed to do in a telegram, but I feel that you should have a good deal more background which it is the purpose of this memorandum to provide.

Basically, I am sure you understand, the Canadians are vaguely disappointed over the situation created by the Wiley Bill, which has the effect of bringing the United States into the construction and operation of the Seaway after 30 years or more of holding back on our part. In 1952, thoroughly exasperated by the long delays in starting the Seaway, for which our Congress was clearly responsible, the Canadians found themselves for the first time in a sufficiently strong economic position to undertake the construction of the Seaway themselves. The Government was genuinely astonished at the enthusiastic popular approval which greeted the decision,

[1] *Supra.*

which we accepted in the 1952 exchange of notes.[2] It is consequently a bit of a disappointment that the United States, a Johnny-come-lately, must now be let into a project which Canadians had come to regard as their own. I have talked to many Canadians about the political psychology of this and they have unanimously agreed with my analysis.

In such discussions, however, I have invariably expressed the view that it would be a political catastrophe if the Canadians were to try to exclude the United States as a participant in the development of the Seaway. Among other arguments I have pointed out that the Seaway will carry by far more American traffic than that of any other country, that its operation is likely to involve a variety of pressures from American business interests, and that it would prevent such pressures from becoming international in their character if the United States were itself involved in the Seaway. In other words, the United States would take some of the heat off Canada in this connection.

I have encountered no Canadians in official or unofficial circles who have argued seriously that the United States should be kept out of the Seaway, although many of them perhaps privately hope that this could be done and would say so to each other. There are persistent rumors that C.D. Howe prefers an all-Canadian Seaway but the Ambassador observes that he has never mentioned this.

At any rate, the Prime Minister seems to regard himself as committed to collaboration with the United States in the Seaway, the majority of the Cabinet agrees with him, and it is established Government policy to go ahead with us. I doubt that anything likely to happen will cause this policy to be reversed. However, we must recognize the existence of the political background I have outlined above and make some allowance for it. This is no time for us to be arrogant.

The Canadian practical approach to the problem, it seems to me, is to proceed with great caution with a view to establishing a framework for the construction and operation of the Seaway which will recognize its importance to both countries and the necessity of establishing a sound and workable basis which will stand the test of time over the next half century. In their view this means that we shall have to re-examine carefully the arrangements of the last few years, including those of 1941 contemplating joint operation[3] and those of 1952 contemplating unilateral operation, which will

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[2] Reference is to the June 30, 1952, exchange; see Document 944.

[3] See documentation on the Agreement regarding the Great Lakes-St. Lawrence Waterway signed Mar. 19, 1941, in *Foreign Relations*, 1941, vol. III, pp. 149 ff.

have to be dealt with in the light of a third variation represented by the Wiley Bill.

The new permanent arrangement, they feel, must be negotiated by Governments and must result in an agreement which binds the United States. They would not be satisfied to negotiate with an American executive agency or deal with it except in a framework established by inter-Government negotiation and agreement which would in effect represent the terms of reference for the executive agencies. In connection with this they may want to do some bargaining on the specific agreements for sharing costs reached in the 1952 exchange of notes, but I do not regard this as more than incidental to the fundamental problem.

[Here follows speculation on the views of various Canadian officials on the questions raised by United States passage of the Wiley Bill.]

DON C. BLISS

No. 995

611.4232/1-SL/7-954: Despatch

The Ambassador in Canada (Stuart) to the Department of State

OFFICIAL USE ONLY
AIR PRIORITY

OTTAWA, July 9, 1954.

No. 24

Subject: St. Lawrence Seaway Discussions, Ottawa, July 5–6

United States and Canadian officials met in Ottawa July 5–6 to discuss a joint St. Lawrence Seaway. The 12-man American group was headed by Deputy Defense Secretary Anderson and included Livingston Merchant, Assistant Secretary of State; Lewis Castle, Administrator-designate of the St. Lawrence Seaway Development Corporation; and Lee Rankin, Assistant Attorney General. The Canadian group was headed by R. B. Bryce, Clerk of the Privy Council, and included Lionel Chevrier, recently-named president of the St. Lawrence Seaway Authority, and Max Wershof, Legal Advisor of the Department of External Affairs.

A complete list of American and Canadian participants is Enclosure No. 1. [1]

Enclosure No. 2 is a digest of the record of the discussions. [1]

The Canadians had repeatedly indicated prior to the discussions that they would be interested in any specific proposals which the

[1] Not printed.

United States might wish to advance. It was the friendly, generous attitude on the part of the Canadian chairman in presenting the Canadian points of concern first which made it possible for the discussions to get under way so easily, and this attitude was a clear indication that the Canadians had no obstructionist intentions.

The Canadian position is based on the exchange of notes of June 30, 1952,[2] under which we agreed that Canada should construct the Seaway on its side of the channel. Canada is not inclined to relinquish this position readily until it has received some satisfaction on a number of points. One major problem for the Canadians is the matter of navigation rights. If the United States constructs the international section of the seaway on its side, all Canadian shipping will be subject to United States limitations, and they are apprehensive of the possibility of rigid application of the McCarran Act to Canadian traffic or the possibility of future legislation of an even more restrictive nature. They wish some reassurance against such a possibility, which will be difficult for the United States to give in the light of our constitutional system. This problem will be explored by legal experts on both sides in detail.

Other problems which were examined concerned third party shipping, for Canada has special Commonwealth commitments; tolls, where the Canadians are inclined to favor separate tolls and the United States joint tolls; and some financial problems, i.e., (a) the possibility of replacement or compensation to Canada for the loss of its 14-foot waterway in the international section if we build a 27-foot channel there and (b) the matter of $15 million contribution by either Canada or the United States to the power entities for works which these entities will undertake in the international section and which would benefit both navigation and power. There will be detailed interim examination on many of the subjects on both sides and late July is set for the next meeting.

[Here follow a draft agenda for the next meeting, agreed upon by the participants, and a brief summary of the treatment of the St. Lawrence discussions by the Canadian press.]

For the Ambassador:
GEORGE S. VEST
Second Secretary of Embassy

[2] For information concerning this exchange of notes, see Document 944.

No. 996

611.42321 SL/8–1954: Despatch

The Chargé in Canada (Bliss) to the Department of State

OFFICIAL USE ONLY
AIR PRIORITY
No. 122

OTTAWA, August 19, 1954.

Subject: St. Lawrence Seaway Discussions, Ottawa, August 1954

Summary:

An Ottawa conference of United States and Canadian officials on August 12–14 completed the arrangements by which the two countries will cooperate in building the St. Lawrence Seaway. The exchange of notes, signed on August 17, [1] recognizes the right of the United States to construct the works called for by the Wiley–Dondero Act (i.e., all works in the International Rapids Section) and Canada's right to construct the whole seaway from Montreal to Lake Erie as established by the Exchange of Notes of June 30, 1952. However, Canada will not exercise this right in the International Rapids Section until conditions warrant, except at Iroquois where Canada intends to construct its own works on Canadian territory in order to establish its position as a participant in that section of the Seaway. External Affairs Minister Pearson recognized that these might be paralleled by United States construction there and expressed the hope that the United States would not proceed with the Iroquois works at this time. While the United States could not give the treaty on navigation rights for shipping passing through the U.S. sections of the Seaway which the Canadians desired (such a treaty would be unconstitutional), it did agree to consult before enacting new laws or promulgating new regulations which would affect such shipping. In this connection, Pearson made the point that unreasonable interference with Canadian shipping in U.S. facilities would be sufficient reason for Canada's completing the Seaway in its own territory.

United States and Canadian officials met in Ottawa August 12–13 to complete the arrangements by which the two countries would cooperate in building the St. Lawrence Seaway. The ten-man American group was headed by Deputy Defense Secretary Anderson and included James C. H. Bonbright, Deputy Assistant Secre-

[1] Note No. X–214 from Pearson to Bliss, and the Chargé's answering Note No. 38, both dated Aug. 17, when added to the exchange of notes of June 30, 1952 (see Document 944), comprised a formal agreement between the United States and Canada. The notes of Aug. 17 are printed in Department of State *Bulletin*, Aug. 30, 1954, p. 300. The entire agreement is printed in 5 UST (pt. 2) 1784.

tary of State for European Affairs, and Lewis Castle, Administrator of the St. Lawrence Seaway Development Corporation. The Canadian group was headed by External Affairs Minister Pearson and included Trade and Commerce Minister Howe, Transport Minister Marler, and Lionel Chevrier, president of the St. Lawrence Seaway Authority. A complete list of American and Canadian participants is Enclosure No. 1. [2] Enclosure No. 2 is a digest of the record of the discussions.

Prior to these discussions there had been on July 23 a Washington meeting of United States and Canadian legal experts, which had served to clear the air of false expectations and had increased both sides' awareness of the major conditioning factors: for the United States, the strict limits of the Wiley-Dondero Bill and the desire not to open it up in Congress; for Canada, the political fear of the harassing public pressure for an all-Canadian seaway.

Consequently, the discussions initially moved rapidly, and in the first two hours most of the items on the agenda had been disposed of by reiterating the positions which had been taken at the first meeting July 5-6:

a) the $15 million contribution to the power entities (barring joint tolls, Canada is left to foot the bill);
b) the fourteen-foot Canadian waterway (Canada is undecided whether to continue it; United States is interested in toll decision, if so);
c) consultation on parallel facilities (agreeable to both countries);
d) navigation rights (United States is agreeable to consultation, but a special treaty would be unconstitutional);
e) effects of modified arrangements on the International Joint Commission order (both agree no reference need be made); and
f) the policy on tolls (United States favors joint tolls, Canada separate tolls; decision left for future).

Just before lunch, August 12, Pearson distributed the Canadian "haymaker", an *Aide-Mémoire* (Enclosure No. 3) which embodied the Canadian ideas for a possible modification of the Exchange of Notes of June 30, 1952 to the effect that the United States would construct as directed by the Wiley-Dondero Act; that Canada would construct a 27-foot seaway from Montreal to Lake Erie except for Thousand Islands dredging and Barnhart Island navigation works. In this way for the first time in the discussions Canada announced that it intended to build a canal and locks in Canadian territory at the Iroquois control dam. The Canadians orally expressed the hope that the United States would forego or delay its construction at Iroquois or get the Wiley-Dondero Act amended to permit this.

[2] None of the enclosures to this despatch is printed.

Pearson expressed the intention of his group: "We do want to participate in the international section. It puts us in a better position to meet public opinion for a through-Canadian seaway . . . and indeed to build for that all-Canadian seaway of the future." Howe, later on, was even more explicit, "We have come to the conclusion that this is what we can get away with politically. We suggest that the United States in a note might say that the Administration would seek to amend its Act to avoid duplication."

The *Aide-Mémoire* was phrased in language clearly directed at Canadian public opinion and was regarded by the Americans as unsuitable in an intergovernmental exchange, which Mr. Anderson felt should be limited to factual statements. The American group went into a huddle at luncheon and agreed that Canada had a right to build as it wished at Iroquois and further that the United States had to reserve its right to build also at Iroquois by the terms of the Wiley-Dondero Act. Accordingly, a document entitled "Draft" (Enclosure No. 4) was prepared which set forth the agreed decisions in the simplest possible language, and this was handed to the Canadians during the afternoon of August 12. The afternoon discussion clearly revealed the divergent points of view. The United States wished to state the basic relationships in an exchange of notes and thereafter each country would shade its announcement to its own people in whatever light it chose. Canada wanted both the note and announcement phrased to underline its positive intention to construct the all-Canadian seaway when feasible.

Meanwhile, during lunch, a small group of American and Canadian members had conferred to produce a "Draft Consultation Clause" (Enclosure No. 5), which was to be a part of any agreed exchange of notes as a substitute for a Navigation Rights Treaty.[3] This was considered briefly in the afternoon and was generally agreeable to both sides although a few changes were suggested such as "administering" for "imposing or enforcing".

By the end of August 12 the real question was not the basis of a new exchange of notes, but the form in which it was to be presented. Accordingly, the Canadians prepared for the August 13 discussions a Draft Canadian Note (Enclosure No. 6). Mr. Anderson accepted this as a useful indication of the Canadian approach to the problem and suggested that both sides exchange ideas without haste. He proposed that paragraph 3 of the Draft Note might be rephrased to read more like the lettered portion of the United

[3] The "Draft Consultation Clause" was incorporated in the Aug. 17 agreement with slightly altered wording as part of the Canadian note referred to in footnote 1 above.

States "Draft" of the day before. The Canadians did not care for this, or for other small amendments which were incorporated into the United States Draft for the Canadian Note (Enclosure No. 7). Pearson and Anderson recognized that the problem of "presentation" would take more time, and it was agreed that Governor Brucker and Mr. Yingling would remain with Mr. Bliss in order to draft a mutually agreeable exchange of notes with Messrs. Wershof, Bryce, Pelletier, and Cote. During the evening of August 13 and on August 14 this group worked out acceptable texts for the final exchange of notes (Enclosure No. 8), which were signed on August 17 and forwarded to the Department of State in Despatch No. 118, August 18, 1954.

An important aspect of these final discussions was the interpretation of three points relating to the Canadian note which Mr. Wershof argued should be clarified for the record:

1) Canada hopes that the United States may decide not to build its own canal and locks at Iroquois at this time, thereby avoiding duplication.

2) Unreasonable or unwarranted interference with, or delays to, Canadian shipping in United States facilities will be sufficient reason for Canada's completing the Seaway in its own territory, under section 4a of the final Canadian Note.

3) If the 14-foot canal is continued, consultation on the "question of levying tolls" means consultation *if* it is to be toll-free, not consultation on the level of the tolls.

Mr. Wershof wanted to embody these points in a letter to the United States. Governor Brucker opposed this because of the onus attached to "special" codicils in the United States, and Mr. Bliss pointed out that at least the first of these points could be made in the Canadian press release. However, Wershof felt that a letter would be necessary to avoid misunderstanding in the future. A digest of these final drafting sessions is a part of Enclosure No. 2 (prepared by Don C. Bliss).

Subsequently, on August 17 the drafts of the press releases [4] were exchanged preliminarily. The Canadian release contained references to the first two points in a blunt, rude form. Mr. Anderson felt this would make his position difficult with Congress, and, through Mr. Bliss, sent a personal request to Mr. Pearson that he eliminate these and also that he not send a letter. Pearson modified the press release phraseology, although still making clear his first two points, and said that he would "think it over" about the letter. On August 18 the revised press releases [5] were distributed

[4] Not found in Department of State files.

[5] For text of the U.S. press release dated Aug. 18, see Department of State *Bulletin*, Aug. 30, 1954, p. 299.

and Pearson held a press conference, underscoring all three points for the benefit of the newspapermen. Notes of the press conference are Enclosure No. 9.

For the Chargé d'Affaires:
GEORGE S. VEST
Second Secretary of Embassy

No. 997

742.5/8–2354

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Under Secretary of State (Smith) [1]

SECRET [WASHINGTON,] August 23, 1954.

Subject: Canadian Government's Approval in Principle of the Distant Early Warning Line in the Far North

Discussion:

At the July meeting of the Permanent Joint Board on Defense the U.S. Section sought the approval in principle of the Canadian Government to the DEW line in the Far North. The Canadian Section agreed that studies and surveys by the USAF and the RCAF should proceed immediately, even before a formal decision from the Canadian Government.

On August 20 the Department was informed by the Canadian Embassy [2] that:

(1) The Canadian Government agreed in principle to the need for the establishment of a distant early warning line across the most northerly practicable part of North America, without prejudice, however, to the extent of Canadian participation and subject to further review when preliminary studies had been completed and the details and costs of the undertaking were available, and

(2) The Canadian Government was concerned over present plans for the sea wings in the northeast and urged that the agencies responsible for planning the early warning line select an alternative route.

The Canadian Government wished to ensure that the agreement of the two governments not become public except by means of an agreed simultaneous release. Its tentative view was that a public statement would be desirable. The Canadians are now drafting

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[1] Drafted by Wight and cleared by Farley.

[2] This was apparently an informal and oral communication.

such a statement which they will send to the U.S. for coordination this week. [3]

Recommendation:

(1) If occasion arises, that you express to the Canadian Chargé this Government's satisfaction;

(2) It is believed that a joint public statement might be desirable for political reasons in both countries. If you concur, I shall obtain the views of the Department of Defense on the proposed release. [4]

[3] The statement was received by Raynor under cover of a letter addressed to him from Counselor of Embassy Glazebrook, dated Sept. 7. (742.5/9-754)

[4] The Under Secretary initialed his approval of these two recommendations at the close of the memorandum.

No. 998

742.5/8-3054

The Acting Assistant Secretary of State for European Affairs (Barbour) to the Assistant Secretary of Defense (Hensel) [1]

CONFIDENTIAL [WASHINGTON,] September 11, 1954.

DEAR MR. HENSEL: There is enclosed for your information a copy of Despatch No. 145 dated August 30, 1954, [2] from the United States Embassy in Ottawa, Canada, reporting on the proposed establishment by the United States Air Force of a Central Coordinating Staff in Ottawa.

The Department of State understands that the proposed organization, which would establish liaison and coordination between all Canadian and United States Air Force agencies concerned with United States Air Force activities in Canada, has been under consideration by the Air Forces of the two countries. Although the Department of State has not received any information regarding the matter from the Department of Defense, the United States Embassy in Ottawa has carried on informal and exploratory discussions with high Canadian officials regarding the United States Air Force proposals. As indicated in the attached copy of a letter of August 27, 1954, from the Chief of the Air Staff, RCAF to the Chief of Staff, USAF, [3] the Canadian authorities have agreed to the establishment of the Central Coordinating Staff but "suggest that the Staff should come under the general supervision and guidance of

[1] Drafted by Wight and cleared by Moore.

[2] Not printed. (742.5/8-3054)

[3] Not found in Department of State files.

the United States Ambassador and also that, for official purposes, the offices of the Central Coordinating Staff be identified as a United States Embassy Annex."

The Department of State and the United States Embassy are generally favorable in principle to the establishment of the Central Coordinating Staff and believe that such an arrangement could provide greater efficiency and coordination of United States Air Force activities in Canada. In the light of the large volume of activities within Canada, however, as well as the known sensitivity and attitudes of the Canadian Government, this Department feels that the Central Coordinating Staff would benefit by political guidance on the Embassy's part if it is to operate effectively and that, in the interests of all concerned, the closest liaison should be maintained with the Embassy. While many of the day-to-day problems of the proposed United States Air Force representative in Ottawa would be administrative and operational, some of them undoubtedly would involve policy matters in which the United States and Canadian Governments would wish to participate, e.g., the establishment of additional installations, requests for facilities, or questions related to customs and taxes. There is also the fact that, owing to different methods of operation in Canada, many problems which in the United States could be settled on a Service-to-Service basis are considered by the Canadians as matters of Government policy. In short, this Department and the Embassy at Ottawa are in a position, I think, to render valuable counsel and assistance to the Central Coordinating Staff.

In view of the foregoing considerations and of the possible overall impacts on our political relations with Canada I am sure you will agree that the proposed Central Coordinating Staff should, as the Canadian Government suggests, come under the general supervision and guidance of the United States Ambassador, and that the staff should keep the Ambassador generally informed of its activities. I hope this can be set out in the terms of reference of the group when it is established. I believe that this will insure the avoidance of some of the difficulties that have arisen in the past and that it will contribute to the advancement of the objectives of the United States Air Force.

Sincerely yours,

W. B.

No. 999

742.5/11-2254

The Department of State Member on the Permanent Joint Board on Defense (Nugent) to the Canadian Counselor of Embassy (Mayer)

SECRET WASHINGTON, November 22, 1954.

DEAR ERNEST: I am enclosing one copy of a joint press release on the Distant Early Warning line which was issued November 19 at 12 noon. [1]

You undoubtedly have this in hand already and are more interested in the text of the Canadian note on which the press release is based. This is also enclosed—No. 791 of November 16. [2] You will note that, pending the conclusion of a more formal agreement, the United States Government is able to proceed with the preliminary procurement and placement of materials for the line. There is, furthermore, a statement of the Canadian Government's intention to determine in the near future the nature and extent of its participation in the DEW line's construction. Presumably, this participation will be financial, even though the Canadian budgetary outlook is reported to be rather tight. The Canadian Government, of course, is reserving the right to participate in the actual manning and operation of the line when completed.

This time the Defense Department gave us very good service in clearing the text of the press release. Inasmuch as the principles had already been approved, it was not necessary to put the latest release through the Joint Chiefs. The Canadians gave us the suggested release text on November 15 and it was ready to roll by the 18th. I was so busy in this connection that this is the first opportunity to give the Embassy some details.

We are now working on the text of a formal agreement, the main hitch lying in finding a suitable wording for the section on purchases of electronic equipment. There is no real difference of views; everyone knows how the matter will work out in practice; but both sides are concerned about public reaction in the event the terms are ever publicized. The Canadians want preference to be given to electronic equipment of Canadian manufacturers, *insofar as practicable*. We prefer to have the wording center on equal consideration.

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[1] The release is printed in Department of State *Bulletin*, Nov. 29, 1954, p. 813.

[2] Not printed. (742.5/11-2254)

However, we are confident that suitable compromise language can be worked out. [3]

Sincerely yours,

JULIAN

[3] Pending negotiation of a formal agreement, Murphy acknowledged receipt of Note No. 791 in a letter to Heeney dated Dec. 13. Murphy signed for the Secretary of State. (742.5/11–1654)

No. 1000

742.5/9–1154

The Assistant Secretary of Defense (Hensel) to the Deputy Assistant Secretary of State for European Affairs (Barbour)

WASHINGTON, December 4, 1954.

DEAR MR. BARBOUR: I refer to your letter of 11 September 1954 [1] which pertains to the establishment of a United States Air Force Central Coordinating Staff in Ottawa, Canada, and of its relationship with the United States Embassy.

This Department is generally in concurrence with your views regarding the necessity for an effective coordination channel between the United States Embassy and the Central Coordinating Staff in order that its activities may be benefited by political guidance on matters where such guidance is of import. It is further recognized that such provision must be set out in the terms of reference of the group in such manner as to ensure this end.

The Central Coordinating Staff was established in Ottawa, Canada, on 18 October 1954, and appropriate provision has been included in its terms of reference to effect the desires of Air Marshal Slemon as indicated in his letters of 15 July and 27 August 1954, to General Twining. [2] This provision is generally that the Ambassador, as the personal representative of the President and the senior United States official present, will be kept informed regarding those military matters under the jurisdiction of the United States Air Force which may affect United States foreign policy and such military questions that are of importance in the context of United States Air Force-Canadian relationships. Communications regarding such matters will, as a general rule, be through the Air Attaché.

[1] Document 998.

[2] Neither found in Department of State files.

It is indeed of paramount importance that the activities of this agency be in harmony with our political policies. I am certain that such harmony can be achieved and maintained through practical application of the terms promulgated by the Chief of Staff, United States Air Force, for the Chief of the Central Coordinating Staff.

Sincerely yours,

H. STRUVE HENSEL

DISCUSSIONS WITH THE UNITED KINGDOM AND CANADA REGARDING THE DANGER OF GENERAL WAR WITH THE SOVIET UNION AND THE USE OF UNITED STATES BASES IN THE UNITED KINGDOM AND CANADA IN THE EVENT OF GENERAL WAR; ARRANGEMENTS FOR EMERGENCY USE OF UNITED STATES STRATEGIC BASES IN FOREIGN AREAS

[Documentation on this subject has not been declassified.]

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